

TOUR COMPLETION REPORT

Marshall Plan Type Management (MTM) Study Tour of USA

Bread & Bakery Industry, Kharkiv, Ukraine
April 03 - April 23, 2000

USAID Grant #121-G-00-99-00728-00

Center for Economic Initiatives (CEI)

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Bread and Bakery Industry Study Tour

Executive Overview

This Management, Technology and Marketing (MTM) Productivity Study Tour program for Kharkiv, Ukraine consists of five study tours. This report describes Tour #1 for the bread and bakery industry subsector.

The purpose of the program is to give rise to a rapid and visible increase in living standards for the Ukrainian population as a whole by introducing key Ukrainian managers in key industrial subsectors to modern management, technology and marketing methods in the U.S. The Center for Economic Initiatives (CEI) selected three food processing subsectors (Bakery, Meat and Dairy, Fruit and Vegetable) and two other subsectors (Food Processing Equipment, Building and Construction) in order to introduce the benefits of this Marshall Plan type technical assistance program to Ukraine. All of these subsectors produce products that are basic to the needs of the Ukrainian population.

The major achievements of the program for the Ukrainian companies were:

1. New and modified products were identified that can easily be added to existing lines without significant investment;
2. An awareness and appreciation of new management techniques;
3. Many productivity changes were learned that will increase product shelf life and reduce costs;
4. A greater appreciation of the role of advertising, marketing, merchandising and distribution;
5. New products and equipment they can purchase from the U.S.
6. A greater openness and awareness of changes they can make in their own firms and industries.

The study tour group included 15 high-level industry participants plus one representative of the Kharkiv Oblast Administration. Under the direction of the Tour Director, the group of 16 visited 27 organizations over a four-state area. The size of the group was economically most efficient. It would have been difficult to arrange visits for a group of 20 or more, while a smaller group would have increased the cost per participant. Due to budget limitations, the tour area was restricted to Ohio, Indiana, Illinois and Kentucky. This was quite adequate for bread and bakery industries.

The sites visited were carefully selected to meet the diverse needs of the group. Since the tour group represented different sizes of businesses and profile, each participant visited some plants that were within their area of interest. Moreover, there was much to be learned on every visit since management, marketing and distribution were common to all.

The host company determined the length of each visit. In almost all cases, the visits were scheduled to last three hours and were planned for the morning or afternoon. At each site there was a short introduction by management followed by a tour of the facilities. A question and answer period followed. In almost all cases, this was an extremely lively session and extended far beyond the initial schedule. The U.S. hosts were extremely generous with their time and information. Were it not for the need to maintain schedules, many visits would have been significantly longer. The enthusiasm of the participants rubbed off on the host companies and many offered to host future programs.

During their stay in the U.S., the group visited 12 bakeries of various sizes, 4 distributors; 2 franchises, 1 bagel outlet, 1 frozen pizza plant, 1 large national cheese cake plant, 1 international food outlet, 1 bakery supply manufacturing facility, 2 equipment suppliers, 1 food association, 1 professional association, and 1 merchandising supplier. In addition, they heard lectures from experts on various subjects. A description of the individual host organizations is included in this report. As a result, the participants were able to get a very broad view of their industry.

The length of the tour, 20 days, appeared to be just about right. Time was needed for the new concepts to be fully understood and appreciated. The participants would probably not have been able to be away for a longer period of time.

Just as previous tours, when the group first arrived in the U.S., they had various fixed ideas about conducting their business. Although the participants were looking for new ideas, they were not necessarily open to new ideas. By the end of the tour, this attitude had completely changed. Most were eager to return and try out new ideas and products. The evolution in thinking was remarkable.

One of the frequently asked questions was “How do the Americans make the products at such a low cost?” Almost every host company discussed the importance of increased volume to drive down costs. This implied a greater need for effective marketing and for specialization. Both were exactly the opposite of the business thinking in Ukraine where there is little advertising and each firm struggles to diversify into as many different product lines and even different industries.

A surprising degree of bonding took place between the tour members. At the conclusion of the tour most agreed to meet again and possibly to form an association. Several were exploring business arrangements, not only among themselves, but with the U.S. companies they visited.

Some of the participants expressed serious interest in purchasing American products and equipment. The Tour Consultant has agreed to facilitate communications between Ukraine and the American companies.

There was some press coverage of the study tour in the Cincinnati newspapers. The Cincinnati Retail Bakery Association carried stories in their monthly newsletter.

At the conclusion of the study tour the group was interviewed in depth to record what they had learned and to measure the potential impact of the tour on their individual firms. CEI was pleased to learn that all had concrete plans to introduce productivity improvements to reduce their costs of production, add new products to their lines and institute management changes. These findings are recorded in the Evaluation by Tour Members included in this report.

This Marshall Plan type bakery study tour was deemed a great success by all the participants and by CEI. Only by seeing for themselves were these industry leaders able to learn new techniques and discover new products they could apply to their firms without the need of large new investments.

Bread and Bakery Industry Study Tour

Program Narrative

2.0. INTRODUCTION

2.1. Overview

During the period of April 03 - 23, 2000 a group of 16 participants (10 men, 6 women) belonging to 15 different organizations related to bread and bakery industries from the Kharkiv region of visited Cincinnati, Ohio and other cities in Ohio, Indiana, Kentucky and Illinois as a part of a 20 day study tour of their related industry. Sergei Guseynov was designated as Leader of the Ukrainian Group. USAID Grant #121-G-99-00728-00 financed the tour. This was the first of five tours financed under this grant.

The tour was under the overall direction and leadership of Leland M. Cole, CEI's President. CEI appointed Dr. Belal U. Siddique as Tour Director who worked out the detailed program with host enterprises, selection arrangements, implementation and accompanying the group to various sites. The program was a success.

2.2. Background

After W.W.II, America helped rebuild Western Europe through the Marshall Plan Program. European economies had been damaged and destroyed, the productivity of industry was low, and standards of living had plummeted. Through the Marshall Plan Program, not only did the US provide grain, steel and other essential raw materials, but also provided technical assistance on a large scale. More than 24,000 Europeans visited the US to learn about the modern ways in which industry operated.

The former Soviet Union (FSU), including Ukraine, today suffers from a scarcity of cost-oriented management and marketing capabilities. Professional managers focus on production and new equipment, rather than on market-oriented tasks. It is essential that Ukrainian management understand that marketing and productivity enhancements are central to the improvement of their living standards and availability of low-cost consumer goods. The Center for Economic Initiatives, (CEI) based in Cincinnati, applied for and received a grant from USAID to bring high level managers from the food processing, equipment building and construction industry of the Kharkiv region in Ukraine to the US for training. This program is similar to the original Marshall Plan Technical Assistance Program.

The total funded program will consist of five tour groups. The first tour is for the Bread and Bakery subsector. The second tour is for Meat and Dairy, the third is for Food Processing Equipment manufacturing, the fourth is for Construction and the fifth is for Fruit and Vegetables.

Most participating managers have never been outside the former Soviet Union (FSU) and have virtually no experience with the workings of a market economy. The task was to help them learn new techniques that they could re-apply in Ukraine. Towards that end, CEI arranged a program that took the Ukrainian managers to processing plants, suppliers, government agencies and associations in Ohio, Indiana, Kentucky and Illinois. These are agriculturally and industrially developed states with good food processing industries from which to select suitable host organizations.

During their visits to these US organizations, the Ukrainians are able to learn improved techniques in production, marketing, and management. These skills will make the Ukrainian companies more responsive to the needs of the Ukrainian domestic market, and more attractive for trade and investment with U.S. and other foreign enterprises.

2.3. Program Implementation

The initial study tour group visited 28 organizations attended 3 seminars and various social functions spread over 8 cities/towns located in 4 states. We could not have been more pleased with the reception and hospitality given by host organizations. High level officials made themselves available for extensive discussions and were genuinely interested in providing study tour members with all the information requested. Several had done independent research on Ukraine before arrival of the group.

3.0 SUMMARY EVALUATION OF PARTICIPATING TEAM

Although from diversified industry backgrounds, everyone picked up significant positive experiences from the tour. It was an active tour group with a voracious appetite for learning new things. At times, the group was late for the next appointment because question and answer sessions were active and lengthy. Sometimes 2-3 hours per plant visit was not enough time.

In general, tour members were cooperative and positive minded. They participated actively in group discussions and asked a great many good questions not only about the industry but about the U.S. in general. They took notes, and an enormous amount of photographs and material back home. Initially, we had a few skeptics, but by the end of the tour they were genuinely converted to true optimists. The total experience of seeing American industry and culture close-up over a period of 20 days made a significant difference to many members' thought processes and perception versus what they had earlier heard about America.

4.0 MISCELLANEOUS TOPICS / COMMENTS

- 4.1. The tour group had excellent interaction with the Tour Director and other CEI members. Information was provided to the maximum on whatever topic possible.
- 4.2. In most of the plants the group visited, technology was better than what's used in Ukraine. Major differences were the methodology, management, organization and culture of running an enterprise.
- 4.3. Participants were shown simple Bug Zappers (Ultra Violet Door Lights) used in almost all food related plants to catch bugs. Many were interested to know various methods used in USA to catch rodents in and around food plants. Many thought Ukrainian food losses to rodents each year were significant.
- 4.4. In bakery related industry, many members thought their waste and loss is less than the U.S. average (25%).
- 4.5. Formal Training Certificates were handed out to participants upon completion of the tour at the final dinner reception.

- 4.6. The participants were reminded that after their return to Ukraine, CEI would be pleased to answer questions and gather additional information they may request. It was suggested that E-mail would be the best way to communicate between our two countries.
- 4.7. The tour participants brought a number of gifts from Ukraine that they gave to host organizations, consultants and others.

5.0. SUMMARY CONCLUSION / POSITIVE FINDINGS OF THE PROJECT

Judging from the comments of tour participants, the experience was extremely positive and worthwhile. Many new ideas for replication were gained, not only in production, but in marketing, distribution and administration as well. This will, CEI believes, help lift the fortunes of these companies who must operate in a very difficult Ukrainian economic environment. This can only help to increase the living standards of the Ukrainian population.

We were also greatly encouraged by the bonding that took place between tour members, who found they could trust one another. There appears to be a genuine interest in working together in the future. They plan to establish an association, and we believe this organization can have a beneficial effect on the entire industry.

A key objective of the program is the dissemination within Ukraine of information learned. CEI stressed this throughout the tour, and we believe tour participants are truly dedicated to seeing this come about. We will follow-up during the post-tour visit to Kharkiv of CEI representation.

6.0. RECOMMENDED TOUR PROGRAM IMPROVEMENTS

- 6.1. 2-3 types of professionals from each industry category may be included: such as technology, marketing, management etc.
- 6.2. Higher-level Ukrainian company representatives may be considered for such future visits to USA. This way many executive and economic decisions could be implemented at a faster pace.
- 6.3. Candidate selection should more clearly track the goals, objectives and expectations for each tour.
- 6.4. To affect any policy level change in Ukrainian bakery, oblast level officials should be exposed to this type of program.
- 6.5. A group consisting of distributors and transportation specialists could be organized.
- 6.6. Internships for management, marketing, and advertising students from Kharkiv University and other Business Schools could be organized.
- 6.7. A program could be undertaken to help develop packaging experts in Ukraine.

7.0. MEDIA COVERAGE and PUBLICITY

Retail Bakery Association in their Newsletter published material covering the tour of the Ukrainian Bakery group.

8.0. SUMMARY DESCRIPTION OF MAIN PROGRAM ACTIVITIES

The following comments provide additional information on each of the activities and organizations visited.

Wednesday, April 05, 2000

Cincinnati Health Department Talk, Vernon Manor Hotel, Cincinnati, OH (AM Hours)

Malcolm P. Adcock, Health Commissioner, City of Cincinnati - Department of Health talked about the role of his division in assuring the public of food safety involved with various area food industries. His department, in collaboration with other federal, state and local government regulatory organizations, cooperates to ensure that the food consumed by the citizens is safe. In general, the bakery is a safe industry compared to other food industries. The department issues licensing for all the food industries in the area. Highest fee is \$400 and the lowest is \$150 per year, which include inspection. In issuing an annual food license, the department makes sure the ingredients used to make bread are safe, purchased from a bonafide supplier, not contaminated by insects or rodents, and stored in a safe manner. Flour stored in an area with leaking roof is unacceptable because of fungal growth. Also the temperature and product preparation procedures are maintained as per the regulations as laid down by the Department of Agriculture. The Health Commissioner explained that in all cases, the department encourages business to follow instructions without hindering their business practices.

Retail Bakery Association Meeting, Cincinnati, OH (PM Hours)

The idea of networking among industry professionals is a new concept for the Ukrainians. This first time exposure of a live monthly meeting of Retail Bakers Association held every first Wednesday of the month was fascinating for the group. Here the Bakers from the local area meet with their family members and colleagues in profession to share new recipes, demonstrate their new creations and display of products. The members share their experiences of attending national conferences and awards. The President of the Association welcomed the group from Ukraine and they had dinner along with other members.

Thursday, April 06, 2000

Le Cézanne French Pastry Shop, Cincinnati, OH (AM Hours)

This is a family oriented small pastry shop with a Restaurant set up in a French pastoral background and decorated with Paul Cézanne's paintings. The owner is a first generation immigrant from France starting a small business with a bank loan. He has recognized that a well off section of Wyoming area of town has enough disposable earnings to buy his expensive French pastries. The owner has since expanded his operation with another shop. He explained to the Ukrainians various items and decorating styles he uses for presenting his products to his clients. He also showed his bakery and ovens. He explained in great details how the costs are kept low. This is an ideal small operation and is managed by one family.

Atlanta Bread Company, Downtown Cincinnati, OH (PM Hours)

This company is a Franchise from its parent company in Atlanta. Franchise concept is a new concept for bread industries in Ukraine. In America someone with money and without much knowledge of bread industry may be encouraged to invest if there is a good business, technology and know-how transfer available. The concept is same as in McDonalds. Initially, the Ukrainians were somewhat confused because it also is a restaurant. The owner explained in details the

working arrangement with the parent company in keeping the company standards and other business compliance. The Ukrainians recognized that a franchise has advantages and disadvantages too. The concept was well received by Victoria Radchenko, an official in the Kharkiv Oblast, who explained that many rich people in Ukraine would be encouraged to invest if such possibilities existed in Ukraine.

Friday, April 07, 2000

Dawn Food Products Inc.(Production), Louisville, KY (AM Hours)

This is a huge bakery related product and ingredient manufacturer in USA and Europe. Various kinds of icings, toppings, stabilizers and bakery related products, premixes for donuts are made here. Their main competition is Bakemark East. They also export items to Europe. Ukrainians were amazed to see such a huge operation. Unfortunately, Ukraine does not have any similar company of this kind.

Dawn Food Products Inc.(Distribution), New Albany, IN (PM Hours)

The Ukrainians visited a huge distribution operation with more than 26 aisles of baking products originating from their parent company and others. We were informed the company has 8 other such operations in North America. The visitors were keen on the construction technology of building such warehouses with light material. They asked various questions about transportation and lead time in ordering.

Saturday, April 08, 2000

Servati Pastry Shop, Cincinnati, OH (AM Hours)

Servati Pastry Shop is a family oriented business originating from Germany. The owner worked for a good many years with Busken Bakery but eventually decided to open his own business. The Ukrainians visited both the production facility and also the retail outlet. It was the first time they also saw for themselves the concept of frozen pastry prepared in advance to meet the market demand. The hosts were very kind in showing various aspects of the business including cake decorations and computer scanned photographic cakes.

Jungle Jim's Marketing Inc., Fairfield, OH (PM Hours)

The group visited a large International Grocery Complex with virtually all kinds of food on sale from all over the world. The store also has a large bakery section that makes all kinds of bread in-house. The chief baker took the group for a tour of his facility. The experience was very interesting for the small bakers among the group. Various dough cutting equipment and various bread ovens were interesting for the group.

Monday, April 10, 2000

Wonder Bread and Hostess Cake Distribution, Cincinnati, OH (AM Hours)

This is a large bread, cake and snack food distribution center with warehouse, transport fleet and a retail shop at the front. The retail shop sells one day old bread at discounted price. The group was told that the major operations start in the middle of the night and by morning breads are supplied to all the major retailers in the town. These are all packaged items. Major buyers are Kroger, IGA, Biggs, Meijer etc. This is also the point for returned and old items, which are sold out to hog farmers as waste.

Butternut Bread Plant, Cincinnati, OH (PM Hours)

This is a bread plant in existence well over 100 years and has expanded into a modern bread making plant supplying large number of local retailers. Wonder Bread, Hostess Cake and Butternut have the same parent company. The visitors enjoyed seeing the huge dough mixing facility and continuous baking ovens and automatic bread cutting machines. The visitors were also interested in the bun manufacturing operations and packaging facility. The American Bakery Institute certifies this plant.

Tuesday, April 11, 2000

Graeters Inc, Cincinnati, OH (AM Hours)

This is a mid size family-owned business with stress on pastry, bakery and famous local hand packed ice cream. The owner took the group out for a full tour of the facility and lots of questions and answers followed in each stage of the visits. In this facility, the product freezing is practiced to meet extra demand for specialized items.

A-1 Equipment, Cincinnati, OH (PM Hours)

This is a used bakery equipment facility, where old equipment bought at auction is refurbished for resale at value price. The concept is very acceptable to many new entrepreneurs organizing a similar facility in Ukraine. This could have a meaningful reapplication in Ukraine with so many people unemployed and labor being cheap. The group had a tour of the facility. However, the Ukrainians were not sure if importation of used equipment would be any cheaper versus procuring them in Europe. Because of expensive labor in USA, the owner prefers not to refurbish any equipment in advance without an actual purchase order from a bonafide buyer.

Wednesday, April 12, 2000

Kroger Bakery, Columbus, OH (AM Hours)

Kroger bakery plant in Columbus is one of the largest of its kind in the USA that supplies bread, buns, pastries, donuts, crackers, cookies and different biscuits for Kroger customers. This bakery serves more than 30 customer accounts. Geographically, this plant supplies bread to the Mid-West. In a month the plant ships up to 12 million pounds of bakery products. The Ukrainians had an extensive tour of the facility with multiple production lines in operation. The huge continuous ovens and conveyer lines in use were of interest for the Ukrainians. The group visited Bread and Bun Bakery section, Sweet Goods and Donut Bakery, Cookie and Cracker Bakery, Snack Department and Laboratory. Such a huge production operation is not yet feasible in Ukraine due to transportation and other infrastructure constraints.

Russel Bundy Associates, Urbana, OH (PM Hours)

This organization is the largest used bakery equipment refurbishing facility in the world. The owner has a unique bakery museum with many items and artifacts on display. The company also has a huge workshop and storage facility. On some limited cases, they invest money in advance, refurbish the equipment and keep them on display for sale to potential clients. The company also has a huge operation where various hydraulic presses are used for large-scale manufacture of bakery forms, trays and baking pans. The Ukrainian group was shown around the entire facility. This was a fascinating tour.

Thursday, April 13, 2000

Institute of Food Technology (IFT), Chicago, IL (AM Hours)

IFT is a non-profit scientific society with 28,000 members working in food science, technology and related professions in industry, academia and government. Its mission is to advance the science and technology of food through the exchange of knowledge. Food science is the discipline in which biology, physical science, and engineering are used to study the nature of foods, causes of their decomposition and the concepts underlying food processing. Food technology is the application of food science to the selection, preservation, processing, packaging, distribution and use of safe, nutritious and wholesome food.

IFT works with news media to communicate food science and deal with:

- a) Helping formulate legislation in Congress,
- b) Developing new societal standards,
- c) Interacting with scientists via the National Academy of Science.

IFT serves its members through publications, continuing education, career guidance, employment services, networking opportunities, regional meetings, and an Annual Meeting and Food EXPO. IFT also serves the public by bringing sound science to the discussion of food issues in the news media and policy arena. Although headquarters are in Chicago, IFT has 50 regional sections nationwide and four internationally, which provide members with local education, social and professional programs. IFT also has 23 different specialized scientific divisions. IFT's monthly magazine *Food Technology* provides scientific news, government and industry reports and updates on member activities. IFT's *Journal of Food Science*, a bi-monthly publication, features peer-reviewed original research, critical reviews and hypothesis papers on chemistry/biochemistry, engineering/processing, microbiology, nutrition and sensory evaluation.

Each summer, IFT's Annual Meeting and FOOD EXPO attracts more than 18,000 people from 75 countries. The technical program includes over 1,000 presentations of scientific papers as well as informal discussions on emerging food issues. The FOOD EXPO features more than 2,000 exhibit booths displaying the latest in food products, ingredients, equipment, processes and services for food scientists and technologists.

Individual membership dues, subscriptions and advertisement fees fund IFT. The members of IFT explained to the group various roles played by their organization.

The group gained tremendously from the talks and came to know how IFT plays an important social, political and technical role in informing the population about various research and scientific information on food issues.

Friday, April 14, 2000

Deerfields Bakery, Inc., Buffalo Grove, IL (AM Hours)

This is a mid sized pastry and bakery operation similar to Servati with larger assortment of pastries. The company has good reputation among the neighborhood and in town. It has a coffee shop that puts added value and attracts clients. The Ukrainian group enjoyed touring this facility seeing different equipment, photographing pastries and decorations.

Eli Cheese Cake Factory Inc., Chicago, IL (PM Hours)

This is a plant of national reputation for supplying cheesecake to the White House for the presidential inauguration. It is an ultra modern plant with cheesecake as its specialty. The group saw all the rotary ovens and facilities. This is a very rich American product, which the Ukrainians appreciated. However, they do not have cheesecake in Ukraine.

Saturday, April 15, 2000

Baltic Bakery Inc., Chicago, IL (AM Hours)

This company makes all kinds of rye bread commonly consumed by the East European immigrant community in the mid-west. The assortments of these breads cover various regional cultures like: Polish, Latvian, Russian and other Slavic nationalities. The types of bread and products made by this bakery are similar to those in Ukraine. However, the bakery uses product stabilizers like calcium propionate - an antifungal agent that extends the product shelf life. This prompted the Ukrainians to think about using products that help extend shelf life. The bakery is a large one with old bread making methods and equipment. The group noticed somewhat lower sanitary norms in the production area compared to all other visits.

Monday, April 17, 2000

Keebler Company, Cincinnati, OH (AM Hours)

This is the largest plant of its kind the group has visited while in USA. This plant is clean and as big as two football fields. Many Ukrainians acknowledged that this is a plant of the 21st century - fully automated 6 production lines with multiple packaging facilities and a state of the art robotic storage and shipping area. Maximum amount of computer and automation has made the plant a virtual behemoth of a biscuit production facility in the mid-west. Nabisco is their only larger competition. The plant visit opened eyes for the Ukrainians who were amazed at the fast and large volume production. They were also very interested to learn that the production cost of biscuits was less than half the cost of the final product.

Maya's European Pastry Shop & Restaurant, Cincinnati, OH (PM Hours)

The store is located on Kenwood Road. This is a family business catering to Blue Ash area urban population with disposable income to buy such products. They also have a beautiful restaurant catering for clients with an unusual lunch menu. They bake their products in their own oven at the store and serve fresh.

Breadsmith, Cincinnati, OH (PM Hours)

The store is located on Kenwood Road. The owner started this business 3 years ago and it is still somewhat new. This is a franchise concept except that there is no restaurant facility at the premises. The Ukrainians felt that the owner will not survive competition and make profits by selling bread alone. They felt that paying rents alone at \$2,000/month is too expensive and the owner should expand the facility into a restaurant with more value added products. Ukrainians were very cost conscious.

Marx's Bagel, Cincinnati, OH (PM Hours)

The store is located on Kenwood road. We did not have a guided tour of this facility for the Ukrainians, but they were impressed when they saw the 60 different types of bagels that were made there. They were also keen to watch how the bagels were served with different salads, smoked salmon, etc.

Tuesday, April 18, 2000

Grote Bakery, Inc., Cincinnati, OH (AM Hours)

This is a mid size family owned bakery with a full line of bread and bun making facility. This is an ideal sized bakery which many Ukrainians could relate to as their own. It is a semi-automatic manageable packaging facility. The owner virtually opened all the plant and its administrative operation, sharing the maximum amount of business information possible. The group greatly benefited from this tour.

Busken Bakery Inc., Cincinnati, OH (PM Hours)

This operation is a reputable family owned business in Cincinnati. After the plant visit, Mr. Page Busken, the owner, gave a strong bakery marketing seminar at the facility that was well received by the Ukrainian visitors. They were also shown doughnut making and some were interested in this new product for Ukraine. The recipe for one of the popular types was requested and supplied. This was also the first company at which they had a demonstration of a photo cake. A photograph is scanned by the computer and then printed on an edible material that is placed on the cake top. Later, two participants requested that their photos be printed in this manner.

Wednesday, April 19, 2000

The Shur-Good Biscuit Co. Inc., Cincinnati, OH (AM Hours)

This is the third largest biscuit and bakery product distribution operation after Nabisco and Keebler. However, they used to be the largest independent distributor for mid-size and smaller companies. Recently, they have sold to Parmalat Canada (the subsidiary of the Italian biscuit giant). The original owners are a family oriented clan who still runs this operation under contract. The father and two sons explained in a lengthy seminar the role of middlemen like themselves playing a significant role in moving products into the market. The group toured the huge warehouse facility and had an excellent visit of the entire facility.

Klosterman Baking Co., Cincinnati, OH (PM Hours)

Klosterman is a large family business with production of bread, buns, hearth bread and hard rolls. This plant caters to local retail shops. It has a large automated production line similar to Wonder Bread's production facility.

Thursday, April 20, 2000

LaRosa's Pizza, Cincinnati, OH (AM Hours)

This is a very clean and modern frozen pizza plant that supplies many local area pizza facilities. The plant and modern equipment fascinated the Ukrainians. Apart from the technological side, the very idea of frozen dough transport appealed to them. The group asked lots of questions at this facility.

Bake Mark East, Fairfield, OH (PM Hours)

This is a huge bakery ingredient distribution center similar to Dawn Food Products in New Albany, Indiana. The Ukrainians bought lots of items for their own bakery needs.

Friday, April 21, 2000

Hubert Distribution, Harrison, OH (AM Hours)

This was the last organization Ukrainians visited. Fortunately, this was the most interesting visit they will remember. This is the largest food product merchandising company in the USA with close to \$ 1 billion sales. The company provides consulting services plus actual solutions to the art and science of merchandising. The show rooms and facilities were huge and the Ukrainians were speechless. The concepts of merchandising are new in Ukraine and seeing this facility they understood why it is so important for them to improve the product placement in a shop. They gained many new ideas from this visit.

The talk was well received by the group.

9.0. PARTICIPANTS

The following Ukrainian food processing company representatives participated in the study tour.

Izyum Bakery Plant	Sergei Guseynov, Comm. Dir., (Group Leader)
Zhidkova Farm	Yevgeniya Zhidkova, Head of the Farm
ROMA Ltd	Sergiy Tsymbalov, Director
Kupiansk Bakery Plant	Oleg Sverzhyn, Head of Trade Department
Kupiansk Plant Prodtovary	Natalya Pravilo, Economist
Alexeevsky Bakery Plant	Vladimir Panarin, Director
Kegichovskoye	Yuriy Misik, Deputy Chairman
Masalitin Entrepreneur	Vasil Masalitin, Director
Everest Ltd	Larysa Lytyyak, Head of Production Dept.
Bogodukhov Bakery Plant	Mikhail Kornilov, Deputy Chairman
Open Joint Stock Company Karavay	Boris Ivakin, Deputy Chairman of the Board
Bogodukhov Plant Prodtovary Ltd.	Yevgeniy Chuyko, Director
Private Company Edelweiss	Alla Chekunova, Director
Private Agricultural Company Molniya-1	Nikolay Biletsky, Director General
Everest Ltd	Tatiana Sidorenko, Marketing Manager
Kharkiv Oblast Administration	Viktoriya Radchenko

10.0 INPUTS PROVIDED BY CEI and OTHER ADVISORS

Leland Cole, Tom Dunn, and others provided various inputs. These included:

1. A list of possible host organizations to be contacted.
2. A detailed schedule of appointments.
3. Appointment details.
4. Changes to the tour schedule as necessary.
5. Advice to participants during the tours and at evening discussion periods.
6. Organization of seminars.
7. Organization of tours in conformance with budget allocations.

11.0. CRITERIA FOR HOST ENTERPRISE SELECTION

Host enterprises were selected so as to give the participants a broad picture of the U.S. Bakery Industry. Characteristics that were crucial in selecting enterprises were their ability to provide the Ukrainians: exposure to technology, distribution, transportation, marketing, advertising, and packaging, and fostering new ideas for producing and marketing new value-added products in Ukraine. When there were several choices of companies in the same industry, those selected were

Although the group was composed of diversified specialists from the same sector industries, and hence the companies had many common aspects, the tour program benefited each participant in one way or another.

1) Name of Organization: **Greater Cincinnati Retail Baker's Association**
3401 Phelps Court
Erlanger, KY 41018

Venue of the Monthly Meeting: **Raffel's Banquet Hall**
10160 Reading Road
Cincinnati, OH 45241 Telephone: (513) 563-9996

Name of Contact: Mary Ann Acree **Title of Contact:** Secretary

Type of Plant: Trade Association

What will be viewed at the plant that would be helpful to business in Ukraine?
Trade Networking

2) Name of Plant: **Le Cézanne**
1 Wyoming Avenue
Cincinnati, OH 45215

Phone: (513) 948-9399 **Fax:** (513) 761-4658
E-mail: cezanne9489399@aol.com

Name of Contact: Fabrice Collot, **Title of Contact:** Owner

Best Time for Tour to Arrive: April 06, 2000 (09:00 am)
Length of Tour at Plant: 1 hour

Type of Plant: French Pastry Shop

What will be viewed at the plant that would be helpful to business in Ukraine?
Retail marketing, production and sales

3) Name of Plant: **Atlanta Bread Company (Franchise)**
100 East 4th Street
Cincinnati, OH 45202

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Name of Contact: Todd Hopper, **Title of Contact:** Owner
Jamie Ford (Manager)

Best Time for Tour to Arrive: April 06, 2000 (3:00 PM)
Length of Tour at Plant: 1 hour

Type of Plant: Bakery Franchise

Pertinent Information:

What will be viewed at the plant that would be helpful to business in Ukraine?
Franchise concept

4) Name of Plant: Dawn Food Products Inc.
6303 Kenjoy Drive
Louisville, KY 40214

Phone: (800) 626-2542 **Fax:** (502) 368-9437
E-mail:

Name of Contact: Randy Petrie **Title of Contact:** Operations Manager

Best Time for Tour to Arrive: April 07, 2000 (09:00 am)
Length of Tour at Plant: 2 hours

Type of Plant: Large Bakery Production Operation.

Pertinent Information:

What will be viewed at the plant that would be helpful to business in Ukraine?
Production

5) Name of Plant: Dawn Food Products Inc.
625 Park East Boulevard
New Albany, IN 47150

Phone: (800) 999-3296
E-mail:

Name of Contact: Chuck Howland **Title of Contact:** Site Manager

Best Time for Tour to Arrive: April 07, 2000 (2:00 p.m.)
Length of Tour at Plant: 2 hours

Type of Plant: Bakery Distribution

Pertinent Information:

What will be viewed at the plant that would be helpful to business in Ukraine?
Retail marketing, distribution and sales

6) Name of Plant: Servati Pastry Shop & Deli
3888 Virginia Avenue
Cincinnati, OH 45227

Phone: (513) 271-5040
E-mail:

Name of Contact: Bill Gottenbusch **Title of Contact:** President
Grace (Daughter) will be the host.

Best Time for Tour to Arrive: April 08, 2000 (9:00 am)
Length of Tour at Plant: 2 hours

Type of Plant: Bakery Pastry goods, deli, related items and food catering.

Pertinent Information:

What will be viewed at the plant that would be helpful to business in Ukraine?
Pastry industry

7) Name of Plant: **Jungle Jim's Marketing Inc.**
5440 Dixie Hwy
Fairfield, OH 45014

Phone: 829-1919 (Ext. 112)

E-mail:

Name of Contact: Don Kross **Title of Contact:** Chief Baker

Best Time for Tour to Arrive: April 08, 2000 (2 p.m.).
Length of Tour at Plant: 2 hours

Type of Plant: International / Multi cultural Giant Food Store.

Pertinent Information:

What will be viewed at the plant that would be helpful to business in Ukraine?
Diversified food products, American produce marketing success story

8) Name of Plant: **Wonder Bread & Hostess Cake**
800 Glendale-Milford Road
Cincinnati, OH 45215

Phone: (513) 771-8090

Fax: (513) 771-8092

E-mail:

Name of Contact: **Mike McDaniel,** **Title of Contact:** Manager Operations
Denise Wagers, John Moore (Boss) 562-3560

Best Time for Tour to Arrive: April 10, 2000 (9:00 am)
Length of Tour at Plant: 2 hours

Type of Plant: Bakery Trucking and Distribution

Pertinent Information:

What will be viewed at the plant that would be helpful to business in Ukraine?
Bakery marketing

9) Name of Plant: **Butternut Bread Co.**
747 West 5th Street
Cincinnati, OH 45203

Phone: (513) 721-0212

E-mail: **robplough@aol.com**

Name of Contact: Rob Plough **Title of Contact:** General Sales Manager

Best Time for Tour to Arrive: April 10, 2000 (3:00 p.m.)
Length of Tour at Plant: 2 hours

Type of Plant: Bread Bakery

Pertinent Information:

What will be viewed at the plant that would be helpful to business in Ukraine?

Food processing, packaging

10) Name of Plant: Graeter's Inc.
2145 Reading Road
Cincinnati, OH 45202

Phone: (513) 721-3323
E-mail: bgraeter@netscape.com

Name of Contact: Bob Graeter, **Title of Contact:** VP Bakery Operations.

Best Time for Tour to Arrive: April 11, 2000 (09:00 AM)

Length of Tour at Plant: 2 hours

Type of Plant: Bakery

Pertinent Information:

What will be viewed at the plant that would be helpful to business in Ukraine?

Bakery production

11) Name of Plant: A-1 Equipment
10580 Evendale Drive (Canal Drive)
Cincinnati, OH 45241

Phone: (513) 563-4100 **Fax:** (513) 563-7050
E-mail: A1BPI@iglou.com

Name of Contact: Melvin Bricker, **Title of Contact:** President

Best Time for Tour to Arrive: April 11, 2000 (3 PM)

Length of Tour at Plant: 2 hours

Type of Organization: Used and Refurbished Bakery Equipment Suppliers

Pertinent Information:

What will be viewed at the facility that would be helpful to business in Ukraine?

Reasonably priced used food processing machinery

12) Name of Plant: Kroger Bakery
457 Cleveland Avenue
Columbus, OH 43215

Phone: (614) 462-2078 and (513) 762-4000
E-mail: jarthur@kroger.com

Name of Contact: Jenny Griffin, **Title of Contact:** HR Manager
Joyce Arthur (secretary) and Joe Girone (Director of Production/Ops)

Best Time for Tour to Arrive: April 12, 2000 (10:30 AM)

Length of Tour at Plant: 2 hours

Type of Plant: Bakery products

Pertinent Information:

What will be viewed at the plant that would be helpful to business in Ukraine?

Bakery products

13) Name of Plant:

Russel Bundy Associates

417 East Water Street
Urbana, OH 43078

Phone: 1-800-762-9955 **Fax:** 771-3820
(937) 652-2151
E-mail: rtbundy@ctcn.net

Name of Contact: **Doug Geiser** **Title of Contact:** Vice President Sales
Russel Bundy, President

Best Time for Tour to Arrive: April 12, 2000 (3PM)
Length of Tour at Plant: 2 hours

Type of Plant: Used and refurbished bakery equipment suppliers

Pertinent Information:

What will be viewed at the plant that would be helpful to business in Ukraine?

Reasonably priced used food processing machinery

Remark: The company does international business in Ukraine and Russia.

14) Name of Plant:

Institute of Food Technology (IFT)

221 North LaSalle St.
Chicago, IL 60601

Phone: (312) 782-8424
E-mail: aldansby@ift.org abmaciejewski@ift.org

Name of Contact: **Rosie Newsome** **Title of Contact:** Director
Annette Hawkins (PR)

Best Time for Tour to Arrive: April 13, 2000 (9:30 am)
Length of Tour: 2 hours

Type of Organization: Advisory organization on food technology

Pertinent Information:

What will be viewed at the plant that would be helpful to business in Ukraine?

Latest on food technology

15) Name of Plant:

Deerfields Bakery, Inc.

201 North Buffalo Grove Road
Buffalo Grove, IL 60089

Phone: (847) 520-0068
E-mail: kurts@fsinet.net

Name of Contact: Kurt Schmidt **Title of Contact:** Vice President

Best Time for Tour to Arrive: April 14, 2000 (9:30 am)
Length of Tour at Plant: 2 hours

Type of Plant: Bakery.

Pertinent Information:

What will be viewed at the plant that would be helpful to business in Ukraine?

Food processing and marketing

16) Name of Plant:

Eli Cheese Cake Factory, Inc.
6701 West Forest Preserve Drive
Chicago, IL 60634

Phone: (773) 736-3417 (ext. 325 or 210)
E-mail: mschulman@elicheesecake.com

Name of Contact: Marc Schulman **Title of Contact:** President
Mary Gale (ext. 210) - Secretary.

Best Time for Tour to Arrive: April 14, 2000 (2:30 p.m.)
Length of Tour at Plant: 2 hours

Type of Plant: Famous American Cheese Cake Plant.

Pertinent Information:

What will be viewed at the plant that would be helpful to business in Ukraine?

Food processing and marketing

17) Name of Plant:

Baltic Bakery, Inc.
4627 S. Hermitage Avenue
Chicago, IL 60509

Phone: (773) 523-1510
E-mail: ajankus@aol.com

Name of Contact: Algis Ankus, **Title of Contact:** CEO

Best Time for Tour to Arrive: April 15, 2000 (9:30 am)
Length of Tour at Plant: 2 hours

Type of Plant: East European Bakery.

Pertinent Information:

What will be viewed at the plant that would be helpful to business in Ukraine?

Food processing and marketing

18) Name of Plant:

Keebler Company (Bakers)
1 Trade Street (Fairfax)
Cincinnati, OH 45227

Phone: (513) 271-3500 (Ext. 277) **Fax:** (513) 271-3274
E-mail:

Name of Contact: Sharon Maul **Title of Contact:** Production Manager
Jerry Morgan Bakery Director

Best Time for Tour to Arrive: April 17, 2000 (9:00 p.m.)
Length of Tour at Plant: 2 hours

Type of Plant: Bakery.

Pertinent Information:

What will be viewed at the plant that would be helpful to business in Ukraine?

Bakery production and operations.

19) Name of Plant: **Maya's European Pastry Shop & Restaurants**
9749 Kenwood Road
Cincinnati, OH 45242

Phone: (513) 791-5005
E-mail: desserts@mayas.com

Name of Contact: Jay Buchheim, **Title of Contact:** Owner

Best Time for Tour to Arrive: April 17, 2000 (2:00 p.m.)
Length of Tour at Plant: 1 hour

Type of Plant: European Pastry.

Pertinent Information:

What will be viewed at the plant that would be helpful to business in Ukraine?

Pastry production and marketing.

20) Name of Bakery **Breadsmith**
9708 Kenwood Road
Cincinnati, OH 45242

Phone: (513) 791-8817
E-mail: cincybreadsmith@hotmail.com

Name of Contact: Bob Harris, **Title of Contact:** Owner

Best Time for Tour to Arrive: April 17, 2000 (3 PM)
Length of Tour at Plant: 1 hour

Type of Plant: Franchise Bakery

Pertinent Information:

What will be viewed at the plant that would be helpful to business in Ukraine?

Franchise concept

21) Name of Plant: **Grote Bakery Inc.**
9285 Princeton Pike
Hamilton, OH 45011

Phone: (513) 874-5155 **Fax:** (513) 874-5299
E-mail:

Name of Contact: **Joseph Grote*** **Title of Contact:** President
Cindy Case

Best Time for Tour to Arrive: April 18, 2000 (9:00 am)
Length of Tour at Plant: 2 hours

Type of Plant: Full line bakery.

Pertinent Information:

What will be viewed at the plant that would be helpful to business in Ukraine?

Distribution, wholesale marketing, storage and processing.

22) Name of Plant: **Busken Bakery Inc.**
2675 Madison Road
Cincinnati, OH 45208

Phone: (513) 871-2114 **Fax:** (513) 458-6212
E-mail:

Name of Contact: **Page Busken** **Title of Contact:** President/CEO

Best Time for Tour to Arrive: April 18, 2000 (7 PM)
Length of Tour at Plant: 2 hours

Type of Plant: Bread, cookies, pretzels, chips, snack foods.

Pertinent Information:

What will be viewed at the plant that would be helpful to business in Ukraine?
Food processing, retail and marketing.

23) Name of Plant: **The Shur-Good Biscuit Co. Inc.**
2950 Robertson Avenue
Fourth Floor Office Tower
Cincinnati, OH 45209

Phone: (513) 458-6200 **Fax:** (513) 458-6212
E-mail: steve_kappesser@parmalat.ca

Name of Contact: **Bob Schmitt,** **Title of Contact:** VP Marketing
Steve Kappesser VP Sales

Best Time for Tour to Arrive: April 19, 2000 (09:00 AM)
Length of Tour at Plant: 2 hours

Type of Plant: **Food Distributors:** Crackers, cookies, pretzels, chips, snack foods.

Pertinent Information:

What will be viewed at the plant that would be helpful to business in Ukraine?
Food distribution

24) Name of Plant: **Klosterman Baking Co.**
4760 Paddock Road
Cincinnati, OH 45229

Phone: (513) 242-1004 **Fax:** (513) 242-3151
E-mail:

Name of Contact: **Ken Klosterman** **Title of Contact:** CEO
Debbie Elliott

Best Time for Tour to Arrive: April 19, 2000 (2:30 p.m.)
Length of Tour at Plant: 2 hours

Type of Plant: Bread, buns, hearth breads and hard rolls.

Pertinent Information:

What will be viewed at the plant that would be helpful to business in Ukraine?
Production, marketing and distribution

25) Name of Plant: **LaRosa's Pizza**

5008 Gray Road (Near College Hill and Winton Place)
Cincinnati, OH 45232

Phone: (513) 542-1378/347-5670
E-mail:

Name of Contact: Greg Gavin **Title of Contact:** Plant Manager
Dianne/T.D. Hughes

Best Time for Tour to Arrive: April 20, 2000 (9 a.m.)
Length of Tour at Plant: 2 hours

Type of Plant: Pizza Production.

Pertinent Information:

What will be viewed at the plant that would be helpful to business in Ukraine?
Pizza production, marketing and distribution

26) Name of Plant: Bake Mark East (Distributors)
9401 Le Saint Drive
Fairfield, OH 45014

Phone: (513) 870-0880 **Fax:** (606) 341-0519
E-mail: dtownsend@bakermarkeast.com

Name of Contact: Doug Townsend, **Title of Contact:** General Manager

Best Time for Tour to Arrive: April 20, 2000 (2:30 p.m.)
Length of Tour at Plant: 2 hours

Type of Plant: Bakery Distributors

Pertinent Information:

What will be viewed at the plant that would be helpful to business in Ukraine?
Marketing and distribution

27) Name of Plant: Hubert Distribution
9555 Dry Fork Road
Harrison, OH 45030

Phone: (513) 367-8600/241-4385 **Fax:** (513) 367-8748
E-mail:

Name of Contact: Bert Kohler **Title of Contact:** President
Ed Hubert (Owner), Sharon Hubert (Owner), Norma Gillian (PR)

Best Time for Tour to Arrive: April 21, 2000 (9:30 am)
Length of Tour at Plant: 2 hours

Type of Plant: Merchandising solutions to the Food Industry.

Pertinent Information:

What will be viewed at the plant that would be helpful to business in Ukraine?
Merchandising solutions

13.0. LECTURES/SEMINARS

- 13.1. April 05, 2000 Malcolm P. Adcock, Cincinnati Health Commissioner
Topic: Role of Health Department.
- 13.2. April 18, 2000 Page Busken, Owner - Busken Bakery, Cincinnati.
Topic: Bakery Marketing.
- 13.3. April 19, 2000 Don (President) and Bob and Jim Schmitt (Vice-Presidents),
Shur-Good Biscuit Co., Cincinnati
Topic: Independent Distributor's Marketing Role.
- 13.4. April 21, 2000 Bert Kohler, President, Hubert Distribution, Harrison, OH.
Topic: Merchandising for Food Industry.

14.0. OTHER VISITS

- 14.1. April 05, 2000 Kroger Supermarket in Corryville, Cincinnati, OH
- 14.2. April 06, 2000 Biggs Hyper Market - Forest Fair Mall
- 14.3. April 14, 2000 Value City, Chicago.
- 14.4. April 20, 2000 Meijer Supermarket, Forest Fair

15.0. PROBLEMS ENCOUNTERED/CORRECTIVE MEASURES TAKEN

- 15.1. The group did not have German transit visas in their stop over in Frankfurt since there had not been enough time to get both U.S. and German visas prior to departure. As a result, they had to remain in the airport for 20 hours and could not go to a local hotel. However, the group made it to USA and landed in Chicago on schedule. They flew into Cincinnati four hours late at 02:15 AM.
- 15.2. Although two-way radio walkie-talkies were provided to all the participants for plant visit, they were not in use much. During the early plant tours, members were very interested in different aspects of the plant and it was rather difficult to keep the group together. To avoid this problem in subsequent plant visits, CEI members helped keep the group together.
- 15.3. Timeliness and punctuality were repetitive problems with this group. They needed to be reminded occasionally about this issue in order to maintain appointments and the time schedule.
- 15.4. The group deposited their air tickets and passports at Vernon Manor Hotel safe to avoid any loss.
- 15.5. Fatigue, and some illness, was evidenced by the end of the tour. Food, culture, language, time zone, frequent exposure to chilled warehouses and sheer travel sickness caught some members off guard. However, everyone was able to attend all sessions and events.
- 15.6. Some tour representatives wanted to have separate programs, custom built for themselves such as visits to a farm. This was beyond the scope of the budgeted tour program.
- 15.7. Because of exhaustive and hectic travel programs to various towns and cities spread over four states, regular group discussions with the group leader and other members could not always be done in motel or hotel settings but rather on the run and on the buses. The active participation of the Group Leader was somewhat missing in resolving critical problem solving, issues, and in generally organizing the group. Eventually, tour members were delegated definite tasks for collecting and compiling information.

16.0. EVALUATION BY TOUR MEMBERS

Leland Cole and Belal Siddique held post-tour individual interviews with each of the participants. Each was asked to comment on his or her impressions of the tour and on benefits they estimate could result through increased productivity and/or increased sales from the addition of new products. During the half-hour interviews, each participant was able to describe those points he or she felt were particularly significant for their company. In addition, each of the participants took the opportunity to express their sincere thanks to CEI and USAID for offering this program, which was not only informative but enjoyable as well.

16.1. Mykola Biletskyy – Molinya-1



Molinya-1 employs 360 people (150 extra seasonal). He had expressed his strong gratitude to CEI for giving him a chance to see for himself the workings of the bakery industry in America. A visit to American families would have been a good idea.

He would start a pastry, cake line with good packaging and merchandising solution. He felt that with an automatic production line he could reduce his costs by 30%. He felt that introducing overhead ceiling cable connection would help them reorganize their production line and make them more flexible. Overhead refrigeration for his product would also save 15%. He will introduce packaging and a local company FASMA will be contacted for this. A marketing division will be organized.

16.2. Alla Chekunova - Edelweiss



Her company employs 46.

“I liked everything - honestly. This especially included Dawn Food Products which was very impressive with so many mixes.” She thinks food ingredient production could be profitable.

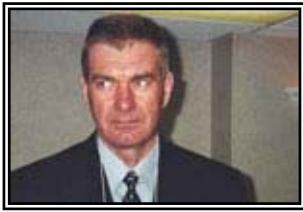
The pastries at Servati’s were impressive, as well as the global nature of their business. It was impressive to see the owners at work in the company. They also used the attic for storage - a good idea. The idea of selling coffee and tea with the pastries in a cafe atmosphere is a good idea and will add value. She liked the idea of selling cheesecake and will introduce this in Kharkiv. At Keebler she saw very good chocolate chip cookies and great technology. (Separately the interns were given a recipe for chocolate chip cookies.)

Grote Bakery was very open. The computerization was amazing. At La Rosa Pizza it was amazing that they can make frozen pizza ahead of time and add the toppings later. She will install a donut fryer like the ones she saw at Busken Bakery. She will consider using baking powder for making her products. She liked the non-stick pans she saw at Russel Bundy. She will also set up a museum like the one she saw there.

She will be able to reduce her costs by 20% by using baking powder since they will increase the volume of a loaf of bread by 20% while keeping the other ingredients the same. She plans to add a second rotating deck oven since the baking cycle will be less. She will switch to electricity driven

ovens that will result in a 10% energy saving. At present, her bakery does not use any packaging, but now she plans to introduce it. Her firm already has four people in marketing.

16.3. Yevgen Chuyko - Prodtovary Bogoduhov Plant



They have 65 employees, down from 120. “What I saw has amazed me - the social side, the technology and equipment, the marketing and the economics. I really liked the friendliness and the attitudes. People say “hello.” There is a sense of freedom - and there is no internal passport.”

The technology and equipment were very high quality, reliable and modular. In Ukraine the equipment is fixed and cannot be reconfigured easily. Computers are in use everywhere. For example, they print the labels such as they saw at Grote Bakery.

There is a great assortment of products and packaging. They currently ship products to retail shops owned by others but need to start a network of their own retail outlets. These need to be in Kharkiv and adjacent oblasts. He also feels that business will expand into wholesale and retail.

His firm already makes cookies. These can be expanded to many new varieties. Yevgen has bought samples of cookies and marmalade since they also currently make marmalade. They want to make greater use of computers. They will help smooth the switch over to new products.

Customers cannot now receive frozen dough since they do not have the equipment to handle it. However, frozen dough still has some potential. Present cost saving strategy: price shopping and source cheaper ingredients. There is a great need to replace energy inefficient equipment and to look for new cost-effective ingredients. They will also look for new packaging equipment. Their plant needs to work at night since the power is turned off four times during the day.

16.4. Sergiy Guseynov - Izyum Bakery (Group Leader)



They have 330 employees. This company handles all aspects of the bakery business: manufacturing, retail and distribution. The retail stores are small supermarkets and carry many items.

At Atlanta Bread he liked the interior design where the oven was placed clearly visible for the customer which creates a strong marketing impression for product freshness. In remote villages they can deliver dough for local baking. The ovens seen here are similar to those used in Ukraine. However, he really liked the conveyor systems that moved the goods to the trucks. This is very important. He also noted that the conveyors are often located high up near the ceiling. Also, the over head cables were hanging from the ceiling allowing quick remodeling of the production facility.

He noted that all bread in the U.S. is packaged and most is sliced. Some of it is shrink-wrapped. Shrink-wrap in Ukraine is expensive, costing about 10 kopecks per package. He believes they can sell sliced bread at the train station and other such locations since people on the move only want a slice or two.

Lower energy costs are the key to reducing overall costs. Two years ago he bought a Danish oven for \$58,000 and this reduced energy costs 4 to 5 times. Brick ovens can run 12-13 hours per day. Gas ovens have to work all day. Their Danish oven works 24 hours per day. They will also be adding a boiler soon to send steam to the brick ovens. The Danish oven comes with a built-in steam-generating unit. The boiler used for the brick-oven will be removed. Cost reduction will apply to transportation with more accurate routing as learned in Grote bakery.

He learned a lot about sales, distribution, marketing and advertising. They have one marketing person in their company and Sergiy will work with him. Sergiy liked the idea of a family firm and possibly he will set up his own firm at some time in the future.

16.5. Borys Ivakin - Karavay



They have 850 employees, down from 1,100. Note: Karavay is a holding company with several large bakeries in the Kharkiv area.

Borys really liked the tour and took a vast number of notes. In fact, he completely filled up his notebook that was supplied by CEI. Borys was interested mainly in the sales and distribution system and is now moving in this direction. In the past his organization only produced bread and other bakery products while the government took care of distribution. It turned out that the government was slow to pay for the goods and a new distribution mechanism was required. The distribution system they are looking at will be multi-level, some of which will be their own and some of which will be independents. They will need to set up one center and provide “one day delivery.”

Packaging is very interesting since he never saw a product in the U.S. without packaging. In Ukraine packaging signifies that the bread is not fresh. Packaging materials are unfortunately expensive in Ukraine. Sliced bread is of interest to Karavay given the low purchasing power of the population. They want to develop ½ loaves, 1/4 loaves, etc.

They want to develop a network of smaller production lines. They need a greater variety of products such as rolls and buns. One of their bakers (Lyudmila at Bakery #3), had interned at Busken Bakery a few years ago. She now works in the laboratory and he will talk with her about several of the new products.

Karavay needs a powerful retail network and at the moment they have no brand identity. They are known strictly as Bakery #3, etc. What he saw at Hubert Distribution really appealed to him. This included excellent display cabinets that had a psychological impact on the customer. Colors merged with lights. In Kharkiv they have already started to expand their retail stores. He liked the franchising concept that he saw, especially in the remote areas. This could also be used in the rest areas along the major highways.

They now need to purchase equipment and this requires going to other countries. He noted that the mixing equipment in Ukraine breaks apart the glutens in the bread. The equipment seen in the U.S. had no sharp blades and was much gentler in kneading the dough and this leads to a higher quality product.

Borys is skeptical about the concept of frozen dough in Ukraine since most families are without microwave ovens. When Borys returns to Kharkiv, he will talk with people inside and outside his

organization about the high technology that is needed at their work. He definitely got what he wanted from the trip and it confirmed some of his previous ideas. He will also disseminate the information when he returns. Borys noted the high use of computer technology in the U.S. since there is almost none in Ukraine.

He saw a number of different ways to reduce costs. The government sets the price of bread products and these result in very low profit margins of about 15%. The high cost of grain is one of the main problems. They hope to purchase cooperatively and reduce these costs. He also found that he could reduce the number of managers and make better use of computers. Finally he would like to install low-pressure gas ovens which are very compact and come equipped with automatic controls.

16.6. Mykhaylo Kornilov -Bogoduhov Bread Baking Plant

They currently have 90 employees at the bakery. There should be fewer, but there are no other jobs in the village.



There are several ideas that can be implemented quickly.

1. He liked the accounting and tracking systems (shipment, order and client services) such as the one they saw at Grote Bakery.
2. He wants to use computers to optimize products and minimize costs. They need to track the profitability of different items. At his plant they will review the present variety of products and will discontinue unproductive products.
3. He liked the sales map at Grote that showed the location of retail stores, competition and potential sales sites.
4. He liked the incentives for sales personnel and drivers in America.
5. He would like to replace the hearth ovens that do not make good bread. Pan bread is easiest to make with poor quality ingredients. Only one bakery in Kharkiv (Bakery #3, a part of the Karavay group) makes good rye bread. He will use decoration and merchandising knowledge.
6. They will transfer some of their products from Bogoduhov to Kharkiv.

He also represents a consulting company and here he found everything interesting. He was amazed at the large scale of the firms and that they worked three shifts. He noted the new trends and new products such as frozen dough.

He liked the baked goods, doughnuts and pastries. He found that the U.S. firms could produce dozens of items each night - a difficult task in Ukraine. He liked Page Busken's talk on marketing and target marketing. The huge infrastructure for distribution centers and dealers shocked him. He could see this was one of the reasons for the high U.S. productivity. In Ukraine, they need to optimize their shipping procedures. He also saw the way people worked, played, shopped, etc. Their firm tried wrapping bread by hand, but it did not sell. He will reduce costs by employee reduction, optimization of product output and improving shipping procedures.

16.7. Larysa Lytvyak - Everest



They have 58 employees. Larysa was mainly interested in the production operations. They must set up an association in Ukraine. She sees this as a way to get greater power access for lobbying against government price control. The price of grain is free to float, but the price of bread is fixed at about 1 Hryvna. The penalties for charging high prices are very high. She will introduce a product trademark.

They need to add more value-added products such as cheesecake and confectioneries. She liked the idea of frozen dough and will use this immediately. Her company needs to diversify. Currently they operate two bakeries

They sell to 80 retailers and have no company recognition. Therefore, they will have to develop brand recognition. They currently do not package their products but need to start packaging 100% of their products. She would like to switch to low pressure gas heaters in order to save on energy.

16.8. Vasyl Masalitin - Masalitin



They have 120 employees. Vasyl's main conclusion was that there is a different mentality in the two countries, with psychological differences. It is difficult to make changes in Ukraine and hence, he needs to set his goals with the present personnel. He personally built his plant in three years without any bank credit and has had very good results. He feels that others in Ukraine need to do the same. In the U.S. he saw people with a real need to work and he was amazed by this culture. Half of his employees in Ukraine work just until they receive their first paycheck. In Ukraine, the most important thing is that the people need to have a desire to work. Their society is in a survival mode and thus people cannot use many of the ideas seen in the U.S.

He has five possible new products. However, people are traditional and do not change their ideas and purchases quickly. Moreover, the economic questions are very important so people will not purchase new products. Recently bread prices went up from 0.70 to 1.10 and 1.20 Hryvna per loaf. They sell about 75 different products, including three main ones. There is a great lack of grain in Ukraine. The bakery plants are willing to pay good prices, but cannot get it.

The value of this program is in communications about how to make things happen. Vasyl recently graduated from a business school. This study tour program has given him a great chance to see for himself the ideas in practice. Some bakeries make three shipments of bread per day since people want their bread warm and fresh. There needs to be a complete overhaul of government. This will only happen when entrepreneurs rise to a high level in the government.

16.9. Yuriy Misik - Kegichovskoye



They have 300 employees, down from 350. The production lines he saw were “perfect” and very modern. They had few breakdowns and the accident rate was very low.

Frozen dough was very interesting. Back in Kharkiv they will discuss the advantage of this product. He also saw new breads such as onion bread and dried tomato bread, which could be introduced in Ukraine. The trucks were interesting. They backed into the plants, a practice not used in Ukraine. He liked the fact that the mixers do not “cut” the dough. He liked the plastic trays that are used to move and store bread. They use wooden ones in Ukraine and they always need to be fixed. Plastic is stronger and lighter. They have a major bottleneck with packaging. The package twistlers (ties) are interesting. He liked sliced bread. “It is the way of the future.” He wanted to know how to increase shelf life. They do not have any logo or promotional materials.

They are looking to expand the confectionery area. They now make cakes, gingerbread, twists and jam (apple) filled crescent rolls. There is a shortage of jams for other fruit filled pastries. The problem is a lack of processing plants. They don’t have the technology to process apricots. They are considering making bagels.

16.10. Volodymyr Panarin - Alexeevsky Bakery Plant



They have 500 employees. Mr. Panarin did not feel that the food technology he saw in the U.S. would be useable in Ukraine, but he will need to keep thinking about this. However, he did feel that they needed a bakery association based on the size of the firm.

The equipment technology he saw was interesting and he will have to introduce more automation. Within the next three years his firm will have to downsize by 100 people. One of his first steps will be to install inexpensive new packaging equipment and this is required urgently. They now employ 30 people just to wrap bread.

He intends to introduce several new products including frozen dough, confectioneries, pastries and cheesecake. The photo cake they saw at Busken was also of possible interest. The diet and health breads were also very interesting.

Production costs must be lowered and we discussed the use of cooling from the ceiling. The company will need to establish more retail stores, especially for the larger bakeries. Marketing is very important and they have much to learn. They have already doubled their sales with their first marketing efforts. Now they will need to increase again by 50% over the next three years. This will require a greater use of packaging and advertising. They will also need to analyze their sales so they can target their markets.

16.11. Nataliya Pravilo - Prodtovary Bogoduhov Plant



They have 32 employees. When she returns to Ukraine, she will set up a Cafe/Confectionery shop like the one she saw at Le Cézanne. At it she will serve pastry, coffee, tea, etc.

They will start to develop a company logo and a merchandising plan. She very much liked the idea of holiday related products such as those described by Page Buskin. This March they set up a local trade association. They will encourage it to support competitions between industry employees, much as she saw at the Bakers Association meeting in Cincinnati.

She will encourage her local government to assist by setting up a distribution center where the small bakeries will be able to join together and have greater buying power. Of course there will be the question of how to finance this operation. She was also impressed with the market research available to the U.S. firm and wants to have the local Rayon provide this information. Instead of having a Pricing Department at the local Ispolkom, (which she feels should be closed immediately) she will propose to have a Marketing Department.

She liked the concept of the frozen pizza dough. This could solve some of their hygiene problems in Ukraine.

The pricing discussion on distribution given at Shur-Good Biscuit Company was very interesting. Likewise, she liked the idea of franchising. She discussed ways to lower costs and Belal Siddique mentioned one way to lower cooling costs was to locate the air-conditioning units in the ceiling that can reduce energy cost up to 30 %. She suggested that she contract with industrial engineers to analyze her expenses.

16.12. Viktoriya Radchenko - Kharkiv Oblast Administration



One of the first things she wants to set up is a bakers' association. It can help them purchase in bulk quantity and thus reduce the cost of purchasing raw materials. The association can also help do market research.

She pointed out that only four basic types of bread have fixed prices. All the other products can have floating prices.

She was interested in the relationship between the government, companies and labor unions. In government relations, public opinion has an impact. People see their rights and see that they are enforced and individual is defended. She tells the Kharkiv enterprises to learn the laws to protect themselves in dealing with tax and health regulators. The American businessperson knows the laws very well. Ukrainians in the 30 to 35 age range are learning the law and are willing to stand up to the government. "The government is there to serve the public, not the other way around." She was interested in the structures in the U.S. distribution system. These are not present in Ukraine. Brokers in Ukraine are only interested in making "fast money." In the U.S., the ability to sell is more important than the manufacturers. She feels that eventually Ukrainians will understand the importance of marketing.

She felt this experience was very good for the Oblast Administration. It will help them better understand the relationships between government and industry and this will help the entrepreneurs.

She met people in the Health Department, and felt that it would have been interesting to have met people in the tax departments.

16.13. Tetyana Sidorenko - Everest

They have 58 employees. One of the first things her firm must do is to create its own brand names, logo and packaging. They currently do not have any of these. To add the packaging for a brand adds an additional 3-4 kopecks to the cost to the product. However, this is necessary to entice people to enter the store and to purchase their products.



There is a great need in Ukraine for more market research to find out what the people really need and want.

Cheesecake is possibly a good idea. To start with, they will offer small quantities and see how the product does. Currently there is no cheesecake in Ukraine although there is something similar. Adding confectionery products is not too important now in Kharkiv with the low purchasing power of the population.

They are using subcontract trucking for their distribution in order to lower their costs. It was suggested that they paint their company identification on the trucks. Her firm is working at full capacity but at very low profit margins. Therefore they need to add higher margin products that do not have controlled prices. They plan to add new retail outlets that include a small on-site bakery.

16.14. Oleg Sverzhyn - Kupiansk Bread Baking Plant

They have 380 employees. Oleg wants to introduce colorful packaging, including see through packages for cake. He also liked the idea of the photo cake.



He also wants to introduce automatic machines for sheeting, cutting, dividing, etc. He liked the holiday product idea he picked up at Busken Bakery.

The only way to reduce costs in Ukraine is to reduce the cost of raw materials and energy. He must not purchase Swedish or Turkish ovens to reduce the amount of gas used. They have a thermal packaging machine (like Izyum Bakery), but the cost is high relative to the cost of the finished product.

Their firm has a logo, etc. They will now make greater use of it on their trucks, 11 shops and seven kiosks. These shops provide 80% of their cash. They also have a wholesale shop. They will expand the number of products offered in order to avoid government control. The price of a 600-gram loaf is 1.10 Hryvna. They already make seven different varieties of pasta and have confectionery shops with more than 100 products.

They will be thinking about sliced bread. In the US, everyone has a toaster and they eat sandwiches. There is a possible market for cheesecake. There is currently a similar product on their market. Oleg would like to make greater use of computers in their operation.

16.15. Sergiy Tsymbalov - Roma Ltd.

He employs 300 people for his entire company - which includes a flour mill and bakery, furniture manufacture, trading, construction material, and photo laboratory. His main concern is how to use his flour and make more value-added products. He feels that money is in trading vs. baking production. Therefore, he feels he could introduce chocolate chip cookies, rye bread expansion, flour mix sale, and trade bread-making ingredients.



He feels that cost reduction is not that easy now. They already have overhead coolers. With their new steam generator there will be a 20% saving. Packaging will be introduced. They already have a target of increasing overall productivity of 30% by better customer order and services. They will form a marketing department and will contact Fasma

for any help.

16.16. Yevgeniya Zhydkova - Zhidkova Farm

They have 3 employees. This is a small rural bakery and their financial situation does not allow them to do much. Whereas a few years ago they had good farms and equipment, these have been allowed to deteriorate and they now have few resources. These will be difficult to build up again. The laws in Ukraine change all the time whereas in the U.S. they are stable. Costs in Ukraine are very high, particularly for fuel and grain.



On the tour they learned how to interact with people, particularly with employees, and that was very positive. She also was impressed with the equipment she saw, particularly the fact that none of it was rusty.

Unfortunately they will not be able to copy everything they saw. However, when she returns to Ukraine she will write a report of her visit and will disseminate the information and try to influence the government in policy issues.

17.0. RECOMMENDED SHORT TERM MEASURES FOR DEEPER TOUR IMPACT

Tour members benefited enormously from this visit, as can be seen in the exit interviews. Many members were interested in getting follow-up information from the various plants visited, and in exploring technology and financial cooperation with U.S. organizations. They would like to have active CEI participation in one form or the other. A proposal seeking approval for funding a Productivity Center helping Ukrainians is necessary to take full advantage of the tour program.

18.0. LOGISTICS

18.1. Hotel Accommodations

During week ends and dates the study tour program was scheduled for Cincinnati area firms, the tour group stayed at the Vernon Manor Hotel in Cincinnati. This hotel was selected because of the many overall benefits it provided. When the tour traveled outside Cincinnati, accommodations were made as appropriate in various motels. All participants were given double rooms with two beds without gender mixing. All rooms were blocked from making long distance phone calls, and charging food or drinks. Participants were able to make these purchases separately on their own account. Overseas phone calls were generally made by purchasing pre-paid phone cards.

18.2. Meals

- a. While in Cincinnati, breakfast was provided at the Hotel Vernon Manor. On many mornings CEI representatives (Dan McKinney, Judy Schartzbaugh and Lee Cole) were available for interpretation or other assistance. To avoid menu translation and schedule delays, buffet meals were preferred over waitress services, when available.
- b. In general, participants got \$10 stipends for breakfast, \$10 for lunch and \$15 for dinner unless meals were provided by CEI. In this way, participants had full control over their meals and CEI kept costs within budget. Weekly meal allowances were given to tour members on Saturday.
- c. CEI provided meals on two occasions: lunch on the group's first orientation arrival day at the Vernon Manor Hotel; and the concluding dinner and certificate presentation at the University Club.

18.3. Bus Transportation

The Vernon Manor shuttle bus transported the guests from and to the airport. This service was also available for transporting guests to downtown and other nearby shopping areas. Transportation to tour sites was done with a rented 45-passenger coach. Turpin Associates of Cincinnati handled all logistics for the tour.

18.4. Shopping/Sightseeing

All participants were anxious to shop for friends and family at home. On weekends, many spent their free time shopping. The hotel shuttle bus driver was very accommodating and took them to discount stores in the area. On some occasions (time permitting), the regular tour bus driver would stop for shopping or sight seeing, such as the Dayton Air Force Museum/Imax Theater. Some CEI members helped by shuttling to local attractions like the Cincinnati Zoo and Covington Aquarium. In Chicago, the group visited Sears Tower, took a walk around the downtown/Michigan Avenue, and Science Museum where they saw IMAX Theater. These visits in all cases were paid for by tour members, and had a deep impact on their perception of America.

19.0. PARTICIPATING CEI and OTHER ADVISORS

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20.0. PARTICIPATING SPEAKERS FROM VARIOUS ORGANIZATIONS.

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APPENDICES

A DETAILED PROGRAM SCHEDULE

[All times are local times]

Transport provided by Turpin Associates of Cincinnati except as noted.

Monday, April 03:

23:48 **Group arrives Cincinnati (United 1540) from Chicago (Vernon Manor will provide Transport to Hotel)**
01:30-02:30 Snacks: Vernon Manor

Tuesday, April 04:

0700-08:30 Breakfast at Hotel Vernon Manor
08:30-08:45 **Welcome and Introduction (Lee Cole)**
08:45-09:30 **Study tour overview (Belal Siddique)**
10:00-11:30 **Tour Logistics (Lee Cole and Belal Siddique)**
12:00-13:00 LUNCH at Vernon Manor
14:00 - 16:00 **Orientation to local area and Kroger**

Wednesday, April 05:

08:30 Bus Departs hotel Vernon Manor
09:00-11:00 Tour of the **Downtown (Shuttle Bus)**
12:00-13:00 Lunch
15:00 Bus Leave Hotel
16:00 - 20:00 Attend **Retail Bakery Association Meeting at Raffel's Banquet Hall** on Reading Road, Cincinnati

Thursday, April 06:

08:30 Bus Departs hotel Vernon Manor
09:00-10:30 **Le Cézanne, Cincinnati**
13:00-14:00 Lunch
14:30 Bus Departs hotel Vernon Manor
15:00 - 16:00 Visit **Atlanta Bread Co.** in Cincinnati.
19:00-20:00 Dinner

Friday, April 07:

08:00 Bus Departs hotel Vernon Manor
10:00-12:00 Visit **Dawn Food Products Inc.(Bakery Production)**, Louisville, KY
13:00-14:00 Lunch
14:00 - 16:00 Visit **Dawn Food Products (Distribution Operation)**, New Albany, IN

Saturday, April 08:

08:30 Bus Departs Vernon Manor
9:00-12:00 Visit **Servati Pastries, Cincinnati.**
12:00-13:00 Lunch
14:00-16:00 Tour of **Jungle Jim Store, Cincinnati.**

Sunday, April 09:

FREE DAY

Monday, April 10:

08:30 Bus Departs hotel Vernon Manor

09:00-11:00	Visit Wonder Bread & Hostess Cake , Cincinnati
12:00-13:00	Lunch
15:00-17:00	Visit Butternut Bread , Cincinnati

Tuesday, April 11:

08:00	Bus Departs hotel Vernon Manor
09:00-11:00	Visit Graeters Bakery Inc. Cincinnati
12:30-13:30	Lunch
15:00-17:00	A-1 Equipment Visit , Cincinnati

Wednesday, April 12:

08:00	Bus Departs Vernon Manor Hotel
10:30-12:00	Visit Kroger Bakery , Columbus, OH
12:00-13:00	Lunch
15:00-18:00	Visit Russel Bundy Associates , Urbana, OH
19:00	Drive Off to Chicago
20:30-21:30	Dinner (Stay the night in Chicago)

Thursday, April 13:

08:00	Breakfast and walk to IFT.
09:30-11:30	Tour of Institute of Food Technology, Chicago and meeting with officials.
13:00-14:00	Lunch
14:00-19:00	Free Time
19:00-20:00	Dinner (Stay the night in Chicago)

Friday, April 14:

08:00	Leave hotel
09:30-11:30	Visit Deerfields Bakery , Buffalo Grove, IL
13:00-14:00	Lunch
14:30-16:30	Visit Eli Cheese Cake , Chicago, IL.
20:00-21:00	Dinner (Stay the night in Chicago)

Saturday, April 15:

08:30	Bus Departs hotel in Chicago
09:30-11:30	Visit Baltic Bakery , Chicago.
13:00-21:00	Sight seeing in Chicago
22:00	Dinner (Stay the night in Chicago)

Sunday, April 16:

10:30	Bus Departs hotel in Chicago for travel back to Cincinnati
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Monday, April 17:

08:30	Bus Departs hotel Vernon Manor
10:00-12:30	Visit Keebler , Cincinnati Open Discussions and Questions
12:30-13:00	Lunch
14:00-16:00	Visit Mayas /Bread Smith/ /Marx's Bagel , Kenwood.

Tuesday, April 18:

08:15	Bus Departs Vernon Manor Hotel
09:00-11:30	Visit Grote Bakery , Cincinnati
12:00-13:00	Lunch
19:00-21:00	Visit Busken Bakery , Cincinnati.

Wednesday, April 19:

08:30	Bus Departs Vernon Manor Hotel
09:00-11:00	Visit Shur-Good Biscuit Co. Inc. (Distribution Operation) , Cincinnati.
12:00-13:00	Lunch

14:30-16:30 Visit **Klosterman Bakery**, Cincinnati.

Thursday, April 20:

08:30

Bus Departs Vernon Manor Hotel

09:00-11:00

Visit **LaRosa's Frozen Pizza** production plant in Cincinnati.

12:00-13:00

Lunch

14:30-16:30

Visit **Bake Mark East** (Distribution Operation), Cincinnati

Friday, April 21:

08:30

Bus Departs Vernon Manor Hotel

09:30-11:30

Visit **Hubert Distribution** facility (Merchandising Solutions).

12:00-13:00

13:00-14:00

14:00-16:00

Saturday, April 22:

10:00-13:00

EXIT INTERVIEWS

Sunday, April 23:

GROUP FLIES BACK TO UKRAINE

B. BRIEF DESCRIPTION OF THE BAKERY COMPANIES

1. Alexeevsky Bakery Plant

Address: Kharkiv, Kotelnikovskaya Street, 5

Phone: (0572) 37-19-30, 37-99-77

Fax: (0572) 37-95-30

E-mail: None

Established: 1969

Ownership: Joint Stock Company

Number of employees: Male: 200; Female: 228

Alexeevsky Bakery Plant was founded in 1969 and was established as a joint stock company in 1996. In the last year the company has increased the number of employees from 240 to 428.

The enterprise is located in the city of Kharkiv with a market share of 15 %.

Products:

- Rye and wheat type bread (80% of production volume) including such varieties as: “Ukrainskiy novyi”, (annual production volume 16,500 ton), “Borodinskiy”, “Izyuminka”, “Varyazskiy” (annual production volume of these three varieties totals 790 tons).
- White bread, buns and rolls (20%) including white bread of the 1st grade flour (annual production volume is 1,350 tons), long loaves of the prime quality flour (2,500 tons) and buns and rolls (350 tons).

In 1997 the enterprise sales were 5,800,000 UAH; in 1998 they were 6,000,000 UAH; in 1999 they were 13,000,000 UAH. The expected sales volume in 2000 is 21,000,000 UAH. The increase in sales can be accounted for by the addition of 12 new varieties of bakery products. In 2000, 18 types of bakery products are produced, compared to only 6 in 1999.

The products are divided into wholesale trade (72%), retail trade (20%) and company owned stores (8%). The enterprise plans to increase their sales through company owned stores to 24% and to the retail trade to 28%.

The major competitors are: JSC “Karavay” Bakery, Closed JSC “Bakery Plant # 8”, and Kulinichi Bakery Plant.

The company has the following competitive advantages:

- A wide assortment of bakery products satisfying all of the wholesalers’ needs
- Higher quality of bakery products
- Relatively low selling prices for bakery items
- A higher percentage of packaged products in comparison with other bakeries
- Prompt payment of employees salaries
- Debt free

Company goals:

- To add 2 new types of product in 2000 which will increase the number of bakery items to 20;
- To increase the volume of sales of their wholly owned stores from 8% to 24%;
- To increase the percentage of their retail sales from 20% to 28%;

- To increase profitability by broadening the assortment of products;
- To increase profitability by improving the quality of the bakery products;
- To increase profitability by boosting production.

2. Bogodukhov Bakery Plant

Address: Kharkov oblast, Bogodukhov, Shevchenko str., 1

Phone: (05758) 2-30-13, 2-23-80

Fax: (05758) 2-23-80

E-mail: No

Established: 1943

Ownership: collective

Number of employees: Male: 47, Female: 43

Bogodukhov Bakery Plant was founded, right after the liberation of the town of Bogodukhov in 1943. At first they baked only 5 tons of bread per day. After reconstruction, the production capacity of the enterprise increased to 30 tons per day. Currently the enterprise produces 10 varieties of bread; about 40 varieties of rolls and buns; 4 types of confectionery items; and 3 types of macaroni. The enterprise is based on a collective ownership form and employs 90 people.

The company is located in the downtown area of Bogodukhov, near the city market, bus station and trade center.

The output of the enterprise can be subdivided in 3 groups:

- Bakery
- Confectionery
- Macaroni products.

The plant produces the following types of bread:

- Bread from prime quality flour
- Bread from 1st and 2nd grade flour
- Rye bread

The enterprise produces a wide assortment of confectionery items, including:

- Wedding cake
- Spring cake
- Easter cake
- Round loaf

The enterprise's target market encompasses Bogodukhovsky, Krasnokutsky, Valkovsky, Dergachovsky, and Zolochevsky.

Sales volume for the year of 1997 amounted to 3 127,000 UAH, for the year of 1998- 2 544, 800 UAH, for the year of 1999 – 2 384, 200 UAH. The projected sales volume for the year of 2000 is 2 400, 000 UAH.

Bakery products made by the enterprise are distributed mainly through wholesalers (80%) as well as 2 company's stores, which are located at the enterprise territory (20%).

The major competitors of the enterprise for rye bread are Alexeevsky Bakery Plant, and Bakery Plant # 3.

The main competitive advantages of the enterprise are:

- Usage of traditional folk recipes for production of bakery and confectionery products
- Highly experienced and qualified personnel
- High quality of products due to well-mastered production technologies;
- Close location to customers
- Flexible approach to the creation of new products

The strategic goal of the enterprise is described by its management as reservation and expansion of its market share, an increase in production volume and expansion of sales markets.

3. Prodtovary Bogodukhov Plant

Address: Kharkiv oblast, Bogodukhov, Melnichnaya str., 2

Phone: (0572) 2-30-93, 2-21-81

Fax: None

E-mail: None

Established: 31 March 1998

Ownership: Collective

Number of employees: Male: 26; Female: 35

The company was founded in 1890 when the first steam mill was constructed. In 15.11.94 the enterprise was established as a closed joint stock company, and in 13.03.98 changed to a Ltd company. The enterprise is based on a collective ownership form employing 61 people.

Company's founders are:

- Yevgeniy B. Chuyko, Director - 46.4%
- Plant employees (21 people) - 33,1%
- Former pensioners (23 people) - 15,7%
- Members of association Prodtovary - 4,8%

There are no branches or subsidiaries.

The main activity of the enterprise is, according to its Statutory documents, production of confectionery; non-alcoholic beverages; the processing of grain, sunflower, buckwheat; and retail trade of food products.

Currently the Director of Bogodukhov Prodtovary defines its mission as supplying the population of the region with high quality food products in a wide range of affordable prices.

The major advantage the enterprise enjoys is the ownership of their own production facilities and transportation system. The high proficiency of personnel allows them to constantly increase the quality of their goods and services that can attract potential partners as well as help create a positive image of the enterprise. Another advantage of the company is its favorable location in the downtown area.

The enterprise has its own company's store, located on the enterprise's territory, as well as 2 kiosks located in the central market of Bogodukhov. This opens up the possibilities for expanding their retail trade.

Strategic goals of the enterprise are as follows:

- Increase profitability of the enterprise,
- Double the production volume and sales.

In other words, the enterprise's strategy is to develop the company and increase its profitability. The strengths of the enterprise include the availability of own production facilities, and the professional qualification of its employees allowing it to create new types of products such as biscuits "slivochnye kolbaski"(special type of candies).

The enterprise produces the following confectionery products:

Flour group:

- Pryaniki – 4 types;
- Biscuits "Ovsyanoye";
- Biscuits "Soyuznoye"

Sugar group:

- Marmelade-2 types;
- Lukum;
- Syrup-filled bonbons

Traditional technology of baking is used in producing confectionery goods in the flour group diet biscuits are packaged in small cardboard boxes (500 gr.). Pryaniki and confectionery goods in the sugar group are packaged in 5-kg cardboard boxes and are sold by weight.

In addition, the enterprise processes grains, sunflower, and buckwheat and produces flour, vegetable oil, and buckwheat.

The production facilities are being used to maximum capacity:

- Flourmill production,
- Oil production-80%;

Modern technology is used in the seasonal production of "Stolovaya" soda water. The beverages taste good and are made from artesian water.

Expected sales volume in 1999 on all product groups is presented in the table below:

Name of the product	Quantity (ton)	Amount (thousand UAH.)
Confectionery products of the flour group	50 ton	120
Confectionery products of the sugar group	10 ton	40
Flour	298 ton	122
Macaroni	50 ton	60
Vegetable oil	164 ton	240
Buckwheat	12 ton	18
Mineral water "Stolovaya"	2000	10

Planned sales amount to 610 000 hryvnia. Planned profitability figures in all trade groups are 10-15%.

The major competitors of Bogodukhov Prodtovary are: Kharkiv Prodtovary, Kharkiv Sponge and Cake factory, Kharkiv Confectionery Factory, and Lviv factory Svitoch.

Marketing Goals for 2000

1. To train the entire staff in the fundamentals of marketing.
2. To establish a Marketing Department staffed with its own employees (2-3 people).
3. Create a system of obtaining marketing information.
4. Systematically gather information about exhibitions and trade fairs for agro-products processing enterprises and plan to participate in these exhibitions.
5. Prepare promotional booklets with photos of products and relevant commercial information.
6. Constantly analyze sales data on all types of products, as well as information about potential customers.
7. Develop new, bright, colorful, attractive packaging for the confectionery products of the flour group.
8. Differentiate company from competitive products and make them more attractive and desirable to consumers.
9. Enlarge the use of advertising by placing advertisements, with trademark, in specialized catalogues, and on posters, signboards.
10. Establish a flexible system of discounts for non-purified sunflower oil for large orders.
11. Gain a competitive advantage with the suppliers. This includes revising the discount system and improving the quality and yield of the oil, which is bartered for sunflower seeds.

The Director defines the goals of participation in the MTM study tour as the follows:

- To get acquainted with production, packaging, and marketing techniques
- To get acquainted with accounting techniques
- To look at types of equipment used at American enterprises;
- Business or marketing plan development;
- To learn efficient management techniques, financials control, and marketing
- To get acquainted with biologically active ingredients, additives, vitamins used in bakery and confectionery goods production, equipment and packaging materials.

4. Edelweiss

Address: Kharkiv, Geroyev Truda, 6
Phone: (0572) 68-46-69, 45-11-45
Fax: (0572) 20-18-00
E-mail: None

Established: 1994
Ownership: Private
Number of employees: Male: 5; Female: 36

Edelweiss is a privately owned co. founded on October 1994 employing 41 people.

The company is located in the city of Kharkiv near their customers. Their bakery and confectionery products are sold through their wholly owned distribution network that includes 2 kiosks and 2 grocery stores.

The production of the enterprise can be subdivided in 3 groups-bakery; confectionery; and macaroni products, including dumplings.

The enterprise produces the following types of bakery products:

- Bread of prime quality flour
- Bread of 1st and 2nd grade flour
- Rye bread
- 15 varieties of buns
- 2 types of long loaves

Confectionery division is represented by wide range of products, among which the most popular are:

- Cakes and pastries
- Puffs
- Sugar pretzels
- Patties with different fillings.

Last year they baked and sold 216 ton of bakery products for a total value of 300,000 UAH and 48 ton of confectionery items amounting to 22,000 UAH. This year they are planning to double their production.

The competitors of Edelweiss include private cafes and nearby bakeries. To compete, Edelweiss offers the following advantages:

- Quality of baking utilizing traditional “folk receipts”;
- High professional skills of personnel;
- Convenient geographical location of its trade outlets;
- Ability to tailor output to customers’ requests;
- Quality, ensuring a loyal clientele;
- The ability to sell confectionery items by the size and weight the customer requests.

“Edelweiss” hopes to double their sales by increasing their production capabilities and increasing their labor productivity.

The Director's goals in participating in the study tour would be to learn production techniques to help increase production figures. She is interested in technology of dough making, shelf life of products, equipment used for baking at American enterprises and packaging of bakery products.

5. Everest Ltd

Address: Kharkiv, Gagarina Avenue, 1, office # 50

Phone: (0572) 149-907, 149-904

Fax: (0572) 149-904

E-mail: Venta200@vlink.kharkov.ua

Established: 1994

Ownership: Collective

Number of employees: Male: 36; Female: 22

Everest was founded in October 1994 as a Ltd company. It has a collective form of ownership. Currently it employs 58 people out of which 17 are in administration.

The main activity is the production and sale of bakery and confectionery goods. All goods produced by the enterprise can be subdivided in 2 groups:

Bakery:

- Square bread, bran bread, rye bread, home-made bread, mustard bread, and "Moskovskiy" long loaves

Confectionery:

- Twist, boublik, mustard bun, rolls with raisins, rolls with jam, cinnamon bun, poppy triangle, vanilla bun, small twist.

The enterprise is located in the city of Kharkiv. It has its own production facilities as well as trade outlets. The bakery is situated on Traktorostroiteley Ave. and the grocery store is located near the Geroyev Truda subway station. Everest has its own kiosk, located in the bakery building where customers can always buy freshly baked bread and buns.

For the 12 months of 1998 the enterprise sold 1 585 ton of bakery products for a total value of 1 208.600 UAH. For the 12 months of 1999 1 869 ton of bakery products were sold for the total value of 1 445.000 UAH

Sales are in the city of Kharkiv.

The major competitors of Everest Ltd. are Karavay Ltd., Kulinichi, Chuguyevskiy Bakery Plant and Bakery Plant # 8.

"Everest" distributes its products through a network of grocery stores and cafes that contracted for daily deliveries. They also sell to kindergartens and schools.

The main competitive advantages of "Everest" are:

- Flexibility of production with the ability to vary components to satisfy customer's demands

- Broad range of products
- Good quality of bakery products
- Specific types of products not baked by the competition
- Flexible system of discounts to the clients

Strategic goals of the enterprise are described as follows:

1. Increasing sales volumes to a 2% share of the market
2. Improving organization of enterprise's activity and increasing its productivity
3. Creation of a sales network
4. Creation of new types of packaging
5. Improving pricing policy of the enterprise
6. Enhancing its own retail sales by opening mini-confectioneries and bakery stores.

6. Izyum Bakery Plant

Address: Kharkiv oblast, Izyum, Kiyevskaya, 89

Phone: (05743) 2-24-18, 2-84-32

Fax: 2-22-99

E-mail: None

Established: 1967

Ownership: collective, 3.5%- state property

Number of employees: Male: 105; Female: 248

The state enterprise "Izyum Bakery Plant" was created in 1967 as a state owned company. In 1998 the company was privatized as JSC "Izyum Bakery Plant". Currently the company is based on a collective ownership form and employs 353 people.

The company is located in the eastern part of Izyum with a favorable geographic location. It is situated at the intersection of large motorways providing them with a timely supply of raw materials and delivery of their products.

The plant produces 23 types of bakery products; 32 varieties of confectionery items; 12 types of macaroni products; and 4 types of groats.

The plant is equipped with 4 automatic lines for baking bread products utilizing domestic ovens, one line for making buns using Turkish equipment for dough dividing, and one Danish oven.

The main products are:

- Bakery (white bread, rye bread, and an assortment of buns and rolls) 6000 tons
- Confectionery (cakes, sponge-cakes, biscuits and others) 120 tons
- Macaroni products and groats
- Flour mill for their own production

The most profitable kind of products is bakery products.

Market share of the company in the city of Izyum and its rayon is 88%.

Annual sales volume of company's products in the year 1997 totaled 7324,1 tons for the total value of 7487,6 thousand UAH; in 1998- 6074,5 for the total value of 6180 thousand UAH; in 1999-6111,6 ton for the total value of 6199,15 thousand UAH.

Currently the company is currently operating at a 10% profit.

Izyum Bakery Plant" employs its own sales network, consisting of 20 shops, as well as other distribution channels.

The company has a near monopoly in the Izyum rayon. The competitors of Izyum Bakery Plant are Karat with a capacity of 1200 tons of bread per year, and Kolos, with a capacity of 1000 ton per year.

The company has the following competitive advantages:

- Higher quality of products
- Affordable prices;
- Highly-trained professional specialists;
- Stable contracts with flour suppliers;
- Availability of its own flour
- Availability of own trade network (20 sales outlets);
- Availability of own transportation means

Strategic goals of the enterprise are to increase profit by expanding production capacities through development of new types of products, by using production capacities completely, attracting investments for purchasing of new equipment.

7. Karavay

Address: 55, Polevaya st., Kharkiv, Ukraine, 310001

Phone: (0572) 27-97-52

Fax: None

E-mail: None

Established: 1932

Ownership: Collective

Number of employees: Male: 500; Female: 600

At present the "Karavay" JSC is a huge company producing and selling bakery products in the city of Kharkiv. The enterprise includes 3 huge bread-baking plants and 3 rather large bakeries with production volume equal to 150-200 tons a day.

The company employs 1100 persons.

The market share of the enterprise is rather large – about 35-40 %.

Volume of sales:

1997 – 47,180 tons;

1998 – 39,533 tons;

1999 – 30,000 tons.

Production volume has been reduced because of growing competition. Besides, several enterprises of the company were closed down because of different reasons (obsolete equipment, bad location, etc.).

Distribution channels: wholesale and sales through company stores and kiosks. The company has obtained a stable position at the market. The quality of products is rather high. The production technology and equipment that are used for baking Ukrainski bread are unique, that is why this item does not have analogues at the Kharkiv market.

Goals of the company are the following:

1. To save the production capacity.
2. To make traditional products, which are in great demand.
3. To develop a company retail network.
4. To give particular attention to marketing and distribution issues.

8. Kegichovskoye

Address: Kharkiv oblast, Kegichovskiyy rayon, Kulinichi vil., Shkolnaya, 17

Phone: (0572) 62-01-07

Fax: (05758) 62-01-07

E-mail: None

Established: 1993

Ownership: 100% private

Number of employees: Male: 620; Female: 380

The privately owned bakery with a capacity of 25 tons per day was built in 1993 by Mr. Misik and was registered as Kulinichovskiyy bread plant.

The assortment of products that year was:

1. Wheat bread of the 1st grade
2. Bun "Zavitok"

#	Year	Name of the company	Capacity	Production volume	Assortment of products
1	1993	Bread plant (first line)	25 tons per day	25 tons per day	2 varieties
2	1995	Bread plant (second line)	70 tons per day	70 tons per day	9 varieties
3	1997	Bread plant (third line)	5 tons per day	5 tons per day	21 varieties
4	1999	Bread plant (fourth line)	90 tons per day	20 tons per day	32 varieties

Total: Capacity-190 tons per day

Output-120 tons per day

The company is located in Kharkiv oblast, Kharkov rayon, on Shkolnaya str., 17. Currently the company employs 1000 people. Market share of the company is 30%.

Company products:

32 varieties of bakery products, including pan bread made from flour of different grades-8 varieties, long loaves-8 varieties, buns and rolls-10 varieties, confectionery products-6 varieties

Sales Volume:

1997-100 tons per day

1998-110 tons per day

1999-120 tons per day

Products are mainly sold and distributed through wholly owned distribution channels and in company stores.

The company competes with 4 bread plants

Kegichovskoye has the following competitive advantages:

- Vertical integration from grain production through wholesale and retail trade;
- Company owned transportation system for deliveries
- Creation of 20 efficient production technologies, decreasing production costs
- Complete autonomy
- Company owned sales network

The company goals for the years 2000-2003:

- To increase production capacity by 20%;
- To increase the assortment up to 20 products
- To reduce production costs by 5 %;
- To increase the sales network and transportation by 25%;
- To create 200-250 new jobs
- To improve working conditions for company employees;
- To complete the construction of a sporting complex;
- To organize a system to prevent professional diseases;
- To improve medical service

9. Kupiansk bread baking plant

Address: 1, Energeticheskaya st., Kupiansk, Kharkiv oblast, Ukraine, 312640

Phone: (242) 5-69-20, 5-52-31, 5-69-42

Fax: (242) 5-69-20

E-mail: None

Established: 1983

Ownership: Open Joint Stock Company

Number of employees: Male: 132; Female: 244

Kupiansk bread baking plant was established in 1983 and reorganized into an open joint stock company in 1996.

The enterprise is located in the town of Kupiansk 2.5 kilometers away from a railway station.

Share of the market in Kupiansk district is 69 %.

Products:

	<u>1998</u>	<u>1999</u>	<u>2000</u>
◆ Bread products	5669 tons	5500 tons	6000 tons
◆ Confectionery	88.4 tons	91 tons	91 tons
◆ Macaroni products	123 tons	288 tons	300 tons
◆ Dried bread-crumbs	26 tons	13 tons	14 tons
◆ Joinery products	Hr.188000	Hr.170000	Hr.190000

Volume of sales:	<u>1998</u>	<u>1999</u>	<u>2000</u>
	Hr.4,655,400	Hr.5,000,000	Hr.8,452,000

Market and distribution channels:

- ◆ Company retail network (11 stores and 6 kiosks) – 45 % of total sales.
- ◆ Wholesale – 55 % of total sales.

Competitors: “Knysh” Private Enterprise, “KPZ” JSC and “Alliance” Ltd. all located in Kupiansk district.

Competitive advantages of the company:

- ◆ Highly qualified personnel.
- ◆ Availability of modern technological equipment.
- ◆ Wide assortment of products.
- ◆ Possibility to increase production volume.
- ◆ Long-term relations with suppliers of raw materials.

Goal of the company:

To insure effective production of bread products to make profits to satisfy needs of the personnel and population of Kupiansk district.

10. Masalitin Vasil V. (entrepreneur)

Address: 19-b, Lenina av., Kharkiv, Ukraine

Phone: (0572) 19-45-53

Fax: None

E-mail: None

Established: 1997

Ownership: Private

Number of employees: 80 % of the personnel are female

The company was established in 1997 at which time it owned one kiosk selling bread and bakery products. These products were bought from two Kharkiv bread-baking plants and transported to the kiosk by the company-owned vehicle. The outlet became very popular in the district, and in May 1997, an additional kiosk was opened. Profits were rather high and the company began to create a network of bread kiosks in the Dzerzhinsky district of Kharkiv. By the autumn of 1998,

the enterprise owned 15 kiosks selling bread and bakery products made at the best Kharkiv bread baking plants. Because of the problem of unreliable shipments of bakery products, in 1998 the company bought a former food store (200 square meters) and reconstructed it as a bakery shop (capacity – 5 tons of bread per 24 hours). It began operations in April of last year. No harmful additives are used. Due to the continuous production cycle, the company ships products to its outlets 4-5 times a day. At the beginning of 1999 the company expanded its trading network by opening bakery stores. The enterprise rented 11 plots and began to build its own trading facilities. In March 2000 it hopes to open 3 bakery stores. At present, the company has bakery production, 26 kiosks in the Dzerzhinsky district of Kharkiv, and 11 bakery stores under construction.

Company products:

Wheat bread – 1,400 tons a year

Seventy-five other bakery items

Company goals:

- ◆ Further extend of its own retail system and bakery shops.
- ◆ Reconstruct a bread making plant and factory to produce bread products and macaroni.
- ◆ Purchase one of the city bakeries out of operations, and rebuild it.
- ◆ Create its own wheat-growing farm.

The company does not have competitors in the district.

Company advantages:

- ◆ High quality products.
- ◆ Low prices.
- ◆ 7 day a week operation.

11. Molniya-1

Address: Tsentralnaya str., Yurchenkovo village., Volchansk district, Kharkiv oblast, Ukraine

Phone: (241) 2-22-82

Fax: None

E-mail: None

Established: 1993

Ownership: Private

Number of employees: Male: 122; Female: 98

The company was established in 1993 as a collective enterprise. In 1999 it was reorganized as a private company.

Annual production of main products:

Grains – 9,000 tons;

Sunflower – 1,200 tons;

Sugar beet – 15,000 tons.

Products of the processing shop:

Flour – 10 tons per shift;

Bread products – 2 tons per shift;

Macaroni products – 1.5 tons per shift;
Grouts (pearl-barley, buckwheat, millet) – 5 tons per shift;
Sunflower oil – 2 tons per shift.

The enterprise possesses the following livestock:

Cattle – 1,200;
Pigs – 1,000;
Geese – 4,000.

The company owns 6150 square hectares of arable land

Sales volume – Hr. 4,000,000.

Annual output of bread products:

1997 – 146 tons (Hr.140,000);
1998 – 360 tons (Hr.230,000);
1999 – 720 tons (Hr.420,000);
2000 – 1000 tons (Hr.550, 000).

Molniya-1 is a private agricultural enterprise located in the Northeastern part of the Kharkiv oblast (70 kilometers from the city of Kharkiv, 25 kilometers from Volchansk and one kilometer from a railway station).

The number of employees: 220 persons (98 of whom are women).

Product distribution:

Kharkiv – 50 %;
Volchansk – 30 %;
Inside the enterprise – 20 %.

Products:

1. Bread products (white bread, black bread, rolls, pies with jam and poppy-seeds fillings, Pryaniki (a type of cake).
2. Macaroni products.
3. Groats (pearl barley, buckwheat, and millet).
4. Sunflower oil.
5. Grain, sunflower, sugar beet.
6. Beef, pork, goose meat.

The company sells its products through wholesalers and 2 company stores. Main competitors are the Volchansk bread baking plant and Belokolodyazyansky bread baking plant.

Advantages of the company:

1. Good location.
2. High quality and wide assortment of products.

Company goals:

1. To expand the existing market.
2. To increase the production volume.

3. To improve advertising activities and promotion.
4. To implement modern production and packaging technologies.

Goals for the MTM Tour:

1. To purchase (if possible) equipment for bread production.
2. To study production and market technologies.
3. Advertising and packaging.
4. Promotion of products.

12. Roma, Ltd.

Address: Kharkiv oblast, Pervomayskiy, Shevchenko str., 24

Phone: (05748) 2-20-45, 2-25-42

Fax: (0572) 2-20-45, 2-25-42

E-mail: None

Established: 1992

Ownership: Private

Number of employees: Male: 108, Female: 27

The Tsymbalov brothers in Pervomayskiy founded Roma Commercial-Production Company in 1992.

The company is involved in trading wholesale and retail food products. Initially they had a store and a network of kiosks. An increase in sales volume allowed them to accumulate the capital necessary to commence production. The bakery was built in 1995 with equipment supplied by the Turkish firm “Khyurmak”.

In 1996 a decision was made to construct a flourmill equipped by “Orkimsen”. By utilizing the output of its own flourmill they were able to increase production and sales volume, create new jobs, and supply its bakery with good quality flour.

In 1997 a trade network subsidiary was created to expand its existing networks. In 2000, the company owns five company stores and a trade outlet equipped with modern equipment.

In 1997 a second line of flour milling was started. In 1998-1999 the production facility of the bakery was expanded and additional equipment installed.

The company has its own laboratory for quality control of raw materials and products, 4 trucks, 2 special cars for bread delivery, 2 buses and 2 cars.

Company products include 10 varieties of bread and 15 varieties of buns and rolls which are made from first and second grade flour and bran.

Bakery products include bread made from premium quality flour, first and the second grade; diet bread with bran added; rye bread; and different rolls and buns such as: boublik with poppy seeds, rolls with raisins, triangle with jam, twist, puffers, etc.

For distribution of its products the company mainly uses its own trade network, though it sells through private individuals who deliver to the nearby villages.

In 1999 production volume of bread and bakery products totaled 370 tons, premium flour-3484 tons, first grade flour-1956 tons and second grade flour-50 tons, bran-1610 tons.

In 1999 a macaroni facility was started. Production volume amounted to 48 tons.

Currently the enterprise employs 135 people including 28 employed by a subsidiary involved in trade.

The company has the following competitive advantages:

- It has long-term, reliable, and stable contacts with suppliers;
- It is situated in a favorable geographical location (the company is surrounded by the wheat growing farms);
- Availability of own trade network

Strategic goals of the enterprise:

- Increase production volume with the maximum use of bakery equipment.
- Broaden the range of products;
- Make maximum use of production capacity in processing agricultural raw materials in order to increase production volumes of premium, first and second grade flour and concluding long-term contracts with agricultural enterprises;
- Expand the production of macaroni by adding an additional line.

13. Zhidkova Private Farm

Address: Komsomolsky vil., Pervomaisky district, Kharkiv oblast, Ukraine

Phone: (248) 4-53-93

Fax: None

E-mail: None

Established: 1999

Ownership: Private

Number of employees: 3

Company products:

Wheat, barley, buckwheat, and millet: 60-80-100 tons a year

Bread (72 loaves per week), food products

Company goals:

- ◆ To expand the square of arable land.
- ◆ To increase grain production.

C. MEDIA ATTACHMENTS

GREATER CINCINNATI RETAIL BAKERS ASSOCIATION, May 2000

President's Message

Dear Members and Friends,

Wasn't our March meeting fantastic? They don't come much more diverse than that. We had all those beautiful cakes Mark, Marvin and Frank from Henry & Henry brought for us. With that display you just had to come away with at least one new idea! We also had a convention report from Tom Rinear, there's more about that inside. Maureen Thie and Mary Pat Pace filled us in on the decorating contest; congratulations Richard and Wayne for jobs well done. We were able to honor Glenn

Soled for all he has done for our association. Also, we were privileged to host 18 bakers from Ukraine. These bakers are from the Kharkov region. Dr. Belal Siddique from the U.S., and associated with an economic development group is working with small businesses in the Kharkov region. The purpose for their journey to the United States is to learn the workings of the baking industry in a free market system. They also wanted to learn about our trade association. While they do work together cooperatively to some extent, they see the need for an association of their peers. They wanted to know the benefits of an organization such as ours. They also wanted to know if there were any negative aspects to our association. I think our meeting did a great job illustrating the cooperation among our members, the camaraderie, and the learning possibilities. After the business meeting, the visiting bakers presented me with a booklet highlighting the industries in the region, and a coin set commemorating the regions struggle for freedom during World War II. They explained that they would like to become involved with our association in a way that would see us exchanging products and business ideas, etc. The bakers I talked with through Sasha, their interpreter, were very friendly and eager for information. The group toured several bakeries and related facilities during their trip. They were very interested in our operations and products. Once they return home, it will take them some time to review all of their video footage. I wish for them health, happiness, and prosperity, just as I do for all our members. Welcome to our newest members, the Kharkov region bakers.

Sincerely,

Your President,
Mark Vincent